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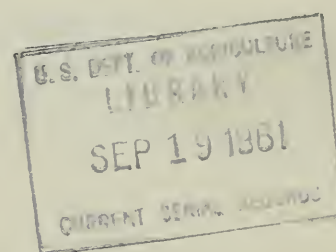
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1961

Third Midwest Regional Member Relations Conference

Sponsored by
American Institute of Cooperation
and Farmer Cooperative Service
U.S. Department of Agriculture



May 3 — 5, 1961
Wichita, Kansas

FARMER COOPERATIVE SERVICE
U.S. DEPARTMENT OF AGRICULTURE
WASHINGTON 25, D. C.

Joseph G. Knapp, Administrator

The Farmer Cooperative Service conducts research studies and service activities of assistance to farmers in connection with cooperatives engaged in marketing farm products, purchasing farm supplies, and supplying business services. The work of the Service relates to problems of management, organization, policies, financing, merchandising, product quality, costs, efficiency, and membership.

The Service publishes the results of such studies; confers and advises with officials of farmer cooperatives; and works with educational agencies, cooperatives, and others in the dissemination of information relating to cooperative principles and practices.

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FOREWORD

This conference is the third in the Midwest of a series being conducted on a regional basis throughout the United States.

Sponsored jointly by Farmer Cooperative Service and the American Institute of Cooperation, the purpose of these conferences is to bring together for an exchange of ideas and techniques men and women who are professionally engaged in the general field of cooperative member relations.

In some cases, these participants are employed full time in cooperative member relations activities. In other cases they are men and women who, while employed in some other capacity, have developed an effective member relations program as a part of their overall work assignment.

One of the most important features of these conferences is the give-and-take of ideas during the discussion periods. Unfortunately, it is not possible to include these discussions in this report. However, the following speeches will serve to give readers an idea of the type of material covered at this conference and at others in the series.

SESSION I

Wednesday, May 3, 1961

Chairman: William G. Plested, Jr.

TRAINING DIRECTORS AND EMPLOYEES FOR BETTER MEMBER RELATIONS

Meaning Is in People-Not in Words

Glenn M. Busset

We write in order to get a response from the reader. As writers, communication sources, we have some intention--some purpose. In short, there is something that we want our readers to know, to accept, or to be able to do.

How do we get the job done? We create messages. We send them over some channel. But, we need some code to construct a message.

In communication, there are many codes: visual symbols, gestures, hand signals, speech, writing, and so forth. When we write our chief code is language; we use it more than anything else. Language is vital to effective written communication.

If this is so, we might profit from an understanding of the nature of language. Where did language come from? How would we construct one, if we didn't have any?

First, how did language originate? We don't know. No one who was there wrote a book about it. We have to guess.

1. The ding-dong theory. This is the notion that each thing in the physical world has some sound associated with it; (for example, bells to "ding-dong"). These sounds mean the actual things--all men react the same way toward them. This is a rather ridiculous notion, because we can think of too many things for which we have no sounds, and too many sounds for which we have no things.

2. The bow-wow theory. According to this view, men copied the other sounds. Animals and things make certain sounds. There is considerable doubt that a dog really barks "bow-wow." It is probable that certain words might have been created this way but not much of any natural language.

3. The pooh-pooh theory. This notion argues that man makes certain instinctive sounds, and that we have meaning for these sounds because we all make them. Modern linguistic research has denied this theory.

4. The yum-yum theory says that man's language started with movement of tongue and cheek and sounds came out.

None of these four theories are acceptable to us now, but they all make assumptions with which we are concerned. What are they?

1. Man created sounds to mean something to him.
2. He made these sounds to relate to meaning he had.
3. This creation of sounds was an act of man not English teachers or God.

Thorndyke's own theory combines the first four into the babble-luck, which we now accept.

5. The babble-luck theory. All children enjoy making sounds. The production of sounds is in itself pleasurable, and we can predict that the earliest of men did a good deal of it. Prelanguage man babbled frequently while he worked with the objects of his existence. Over time, by chance or luck, certain sounds were made when man touched or handled certain objects. Again, over time, by chance, other men heard each other make certain sounds when they both were handling certain objects.

After a long, long time, these sounds became relatively fixed or permanent. Man found that he could substitute the sounds for the objects, and that this was convenient--rewarding. So, language.

Much later man began to record these sounds visually. Unfortunately, we had no phonetics teachers or linguists around then; consequently, we often do not have a high correspondence between the sounds and the written symbols. But we get along.

One of the values of knowing about the babble-luck theory is that such knowledge prevents us from falling into the trap of believing that there is some "correct" or "necessary" relationship between symbols and objects. We all know the story of the person, who when asked why he called a pig "pig," replied, "because they are such dirty animals." This is farfetched, but have any of you ever heard discussions about "proper" language, or the "correct" way of writing, or of the "real meaning" of certain words that reminded you of such a person?

We can conclude that language began when man made certain sounds, for one reason or another. He began to make these sounds to let someone else know what he wanted, what he had, what he was referring to. In short, he made sounds to communicate meaning. If he managed to make these sounds meaningful for other people, the sounds were preserved. If not, they were thrown away.

The same process goes on constantly in any language. A writer makes "new sounds." He coins new words. He uses words in a different sense. If his usage becomes meaningful for others, we incorporate the words into the language. If not, these new words too are discarded over time.

Let's look at language from a slightly different point of view.

The function of language is to communicate meaning. Meaning is inherent in language.

In teaching others about writing, in writing ourselves, in editing the writing of other people, -- meaning is and should be our chief concern.

As editors, we criticize a piece of writing when it seems to us that it "didn't get the meaning across." As writers, we criticize editors by saying that they "changed our meaning." When we use words like unclear, ambiguous, confusing, complicated, and so forth, we are saying that the message creates problems in meaning--in the reader's understanding of the writer's intentions and ideas.

What about this word "meaning"? Obviously, we use the term frequently. If meaning is crucial to effective written communication, perhaps a study of meaning itself might benefit us in improving our own written communication. What do we mean by "meaning"?

Let's look at a few examples of how we use the word:

1. To use words properly, you must know their meaning.
2. The purpose of some writing is to communicate meanings.
3. I hear thunder. That means rain soon.
4. In English, the letter "s" at the end of a noun usually means "more than one" or "plural."
5. My family means much to me.
6. Words don't have meaning--only people do.

Most of us have written or read sentences like the six we have listed. From the discussion, we can conclude that the term "meaning" or "mean" has more than one use. In fact, some of the uses of the term in the six sentences we have presented are inconsistent with some of the others. Are you sure that you know what you mean when you use the term yourself, or are you like the person who says, "I know what I mean until I'm asked and then I don't know what I mean." How do you use the term?

When we think about it, we realize that only people have meanings. Words on a page do not have meaning in and of themselves--they are only signs, cues which cause us to bring our own meanings into play, to think about them, to rearrange them, and so forth. We learn meanings, we add to them, distort them, forget them, change them. Meanings are our own private property.

Fortunately, we usually find other people who have meanings that are similar to ours. When we do, we can communicate; when we don't, we can't communicate--or at least, not well. This point seems apparent; however, all of us forget it now and then. Let me suggest one or two examples.

Suppose we were to meet a visiting extension agent from Latin America. We want him to tell us about his work. We would be shocked if he were to begin to tell us in Spanish, no? What would we say: just because he understands (that is, has meanings for) Spanish, why should he expect us to? Yet, there is a good deal of evidence that some Americans when abroad, or even when talking to foreign visitors in this country, expect the foreigner to speak and write in English. We can't understand why they don't use the words we do.

Let's take an example closer to home. All of us have had occasion to interview "experts" in one field or another. Have you ever been irritated because the expert continually used words that had no meaning for you? Has an expert ever become irritated when you asked him to explain what he meant? Why? He couldn't understand why you didn't know WHAT HIS TERMS MEANT. He forgot that the terms themselves didn't have meaning--for you.

Nearly all of us have committed this sin sometime. When confronted with our failure at communicating our meaning, we are confused. We can't understand the stupidity of our readers. We used perfectly good words. We used them properly. In short, WE TOLD THE READER WHAT HE NEEDED TO KNOW. This situation is what I refer to as the "I told them" fallacy. The meaning is in the words--if you don't know what it means you're just stupid. Have you ever heard it?

The boss writes a memo that none of us understands. We don't do what he wanted us to do. He says: "BUT I TOLD HIM."

A group of farmers have a problem. They come to the extension editor for help. He prepares a bulletin to solve their problems. He sends it to them. It doesn't help. He says: "BUT I TOLD THEM."

The "I told them" fallacy results from approaching writing from something other than a communication point of view. It is caused by the assumption that the reader will mean what the writer means; in short, it is caused by forgetting that WORDS DON'T HAVE MEANINGS...ONLY PEOPLE DO.

Why do meanings differ from person to person? How do we get meanings in the first place? What is the process? What do we need to know about this process if we are to improve our own written communication?

When you were born, you had no meanings. No object or symbol in the world meant anything to you. As William James put it, the world was a "booming, buzzing confusion."

This confusion is soon reduced. Before long, a normal baby learns to organize the world--he structures it. He sees things, and organizes them into shapes and objects. He hears things, and organizes them into sounds.

He begins to move--haphazardly at first, but soon with purpose. He produces sounds of his own. The sounds of a three- or four-month old baby are about the same, from country to country, but by the time the infant is seven or eight months old, his sounds are more like the sounds

his parents make than they are like the sounds of other infants whose parents speak different languages. Clearly, an infant learns. He learns to structure his perceptions, to produce sounds in combination, and to mean something by his sounds.

We will concentrate on oral, rather than written, communication in discussing how we learn meanings. Why? Language is learned first orally. Only much later do children begin to learn the relationship between sounds and letters, or writing. In fact, 80 percent of the world's people don't know such relationships; we refer to them as "illiterates."

How do we get meanings from the world? Let's look at this process, and see if it can give us some leads about the nature of meaning--and communication.

Your meanings for things consist of the way that you respond to them, internally, and the predispositions which you have to respond to them, externally.

How does this definition of meaning affect us as communicators?

1. Meanings are in people; they are the internal responses which people make to stimuli--and the internal stimulations which these responses draw out.
2. Meanings result from (a) factors in the individual, interacting with (b) the physical world around him.
3. No two people can ever have exactly the same meaning for anything. Many times two people don't even have similar meanings.
4. Meanings are never fixed. As experience changes, meanings change.
5. People can only have similar meanings to the extent that they have had similar experiences, or can be given similar experiences.
6. People will always respond to a written stimulus in light of their own experiences.
7. To give people a meaning, or to change their meanings for a written stimulus, you must pair the stimulus with other stimuli for which they have meanings.
8. In learning meanings, people operate on the principles of (a) least effort, (b) non-interference, and (c) discriminative capacity.

We have not yet talked about meanings for linguistic stimuli; that is, sounds, and written symbols which we call "words" and "sentences." How are these learned? Everything we have said about how people learn applies to the learning of language, of meaning for written communication. Let's return to our original example of the child, and see how this operates.

By the time the baby is a year old or so, he has acquired many meanings. The "booming, buzzing confusion" has been largely structured. By the time the child is 4 or 5, he has many meanings for the oral sound combinations in his native language. He also has learned, through the same process, to put these words together in some sort of sequence acceptable to his parents and others and to call these "sentences."

How does the child learn meanings for the written word? He learns by the same process where the written word is paired with the oral word--or maybe with the original object again. The job of the first and second grade teacher is not so much to teach the child meanings as to teach him to transfer his meanings to written symbols.

Man is a communicating animal. We humans have the ability to encode and decode linguistic stimuli, to interpret them, and to give them meaning. This ability sets us off from other animals; however, it can lead us into at least two pitfalls that cause much of our writing trouble. What are they?

1. We must not forget that word-symbols are not the thing. There is no "right" or "God-given" meaning for words. Everyone does not have the same meaning for a word.
2. Words are shorthand. We use them as convenient, portable substitutes for things. When we combine them, we can learn more from them than we might learn from the things they represent. We must not forget that our meaning for any given word is just a part of our original meaning for the thing that it represents--a part which has been detached through learning.

Let us summarize at this point:

1. Meanings are found in people--not in words or sentences.
2. Meanings are learned. They are a function of personal experience.
3. We learn words, and acquire meanings for them, by conditioning: we see a word as related to other words, or objects, or perception--for which we already have meanings.
4. We learn meanings for oral sound combinations first, and only much later for written words.

Writing is a process; it involves a writer, with certain meanings, who selects words and sentences to present to a reader, who also has certain meanings. We write for our reader in order to draw out the meanings we want, so as to suggest to the reader that he reshuffle his meanings and put different ones together.

Writers can be gauged by their ability to select and arrange words which draw out the intended meanings from the reader, which change the reader's meanings--his way of looking at the world--which provide the

reader with insight that he didn't have before. To understand the nature of meaning and how meanings are learned is to be partially prepared for effective communication.

We should never forget that meanings are found in people; nevertheless, we can separate certain dimensions of meaning and talk about them as if they were not the property of people. We are seeking a higher degree of predictability among language-users. We must have this if we are to communicate our own ideas in writing and understand the ideas of others. Let's return to our earlier discussion of language-learning, and see if we can find more than one kind of meaning from it.

What are the first words we learn? Primarily, they are words like "mommy," "daddy," "ball," "doggie," and so forth. Traditionally, we have referred to these as names for persons, places, or things. We also learn words that we might refer to as names of processes or actions. These include words like "talk," "walk," "sleep," "go," and so forth.

We teach the child a meaning for these words by saying the word when the thing itself is present. We draw for the child a relationship between these names and the objects they are naming or referring to.

Eventually, the relations between these names and the corresponding objects become meaningful. To tell someone what a word means, we point to the object that it represents. If language is to develop, if we are to communicate, all people who use the language must be in agreement about these word-object relationships.

This is one dimension of meaning. It actually exists in people, but we take it out and make generalizations for all users of a given language. We call this kind of meaning "denotative." We say that the word "ball" denotes or refers to the object ball; the word "run" denotes the process of running, and so forth.

Denotative meaning is pure shorthand. We can't afford to carry the physical world around with us wherever we go. When we write, we do not want to take the time to point to objects in the physical world. So, we create words that we use to represent the objects. When I say "table" I mean that. Denotative meaning consists of a relationship between a word-sign and an object.

We're wrong when we forget that denotative meaning is a relationship. We use words which have clear references for us -- but not for our readers. If we will remember that the reader must be aware of the relationship, and that the word itself can't give it to him, our clarity of writing increases.

How do we clarify denotative meanings in communication? In face-to-face speech, we often go back to the original learning process. If someone has difficulty understanding us when we refer to things, we often point to the object that our word names. When we write, we can't point

directly; however, we approximate pointing by putting in scale models of the objects we are talking about. When we give instructions, we might draw a picture of the completed object or process. We might use illustrations, charts, drawings, and so forth. Hard words need illustration, easy words do not.

This is true when we try to define technical words for the non-technical reader. Let me give you an example. Here is the definition of "brucellosis" given by the American College Dictionary:

brucellosis: infection with bacteria of the Brucella group.

If you don't already have a meaning for the terms "bacteria of the Brucella group," this definition of brucellosis won't help you. Furthermore, if you do have a meaning for "the bacteria of the Brucella group," you probably have a meaning for brucellosis - and don't need a definition.

This approach to definition might be labeled the "clear only if known" fallacy. When we write, we often need to use some words that are unfamiliar to our readers. If we do, we must define these words so that our readers will have meaning for them. We usually do this by using other words. When the words we use are equally unfamiliar, we have gained nothing -- and we probably have lost the reader.

Let's look at another aspect or dimension of meaning. As we progress in our language usage, we find that we want to do more than just name things. We tire of going around saying "mommy," "daddy," "go," "ball," "run," and so forth. We want to talk about objects and processes. Instead of saying "John" and "run," we want to relate the object John to the process of running. We want to talk in sentences, not in words alone. We want to say "John is running."

To construct sentences, we need some rules or procedures for arranging words in sequences. We want to know which word comes first, which last, and so forth. We want to know how we let people know whether we are talking about today, tomorrow, or yesterday. There are many similar things that we want to communicate.

The term "grammar" refers to the methods for sequencing words -- not rules, merely methods. Grammar is concerned with form. Grammar historically has two points of view. One says it is a group of laws that cannot be broken or you are not in the elite class.

The other view says that grammar is obtained by the ways that people speak a language -- put their words together -- or word usage.

Writers and speakers concerned with effective communication cannot look on dictionaries as the ultimate authority on word meaning. Words mean what people use them to mean. Words are put together grammatically when they are put together the way language users actually put them together.

In writing, we should remember that our word and sentence arrangement choices convey meanings in at least three ways.

1. Grammar communicates meaning from the structural relationships among words and gives us clues (known words) or certain forms as to which of several meanings the writer intends.

2. Many of our words have meanings that denote certain objects for the reader.

3. Other words have little object meanings but they are primarily connotative in that they draw out past experiences, and are often judgments -- "good," "beautiful," "pleasant."

When we use connotative meanings we must remember our readers' meanings are always slightly different, and can be radically different from our own.

We should write for meaning, we should edit for meaning, we should read for meaning.

When we write, edit, or read for meaning, we should have some idea of what we mean.

Thursday, May 4, 1961

TRAINING EMPLOYEES AND DIRECTORS

Training Principles and Practices

Glenn C. Peterson

The objective of all training programs is to further the aims of the corporation by the following means: (1) Development of a safety minded organization, (2) production of a high quality product, (3) accomplishment of this at lowest possible cost consistent with corporate policy, (4) satisfaction of stock holders or owners, (5) creation and maintenance of a loyal staff, with high morale, (6) encouragement of ability to grow and expand.

A corporation reaches the above objectives by the use of men, money, machines, and materials.

Training is concerned with the contributions people make toward the accomplishments of the Company's objectives.

Those in charge of training must develop techniques to accomplish these goals. These techniques must be effective and economical with respect to the expenditure of time and money.

Following are some specific objectives of a training program:

1. To develop and maintain skilled and safe workers.
2. To develop and maintain among employees a healthy attitude toward the job (high morale).
3. To develop good leaders.
4. To promote coordination and cooperation at all levels.
5. To reduce personnel costs (that is, accidents, turnover, absenteeism, waste, inefficient use of time, and so forth).
6. To promote harmony within the organization (understanding of inter-personal relations).
7. To assist in the personal development of employees as individuals and as citizens, with a deep interest in our American way of life.
8. To help employees prepare for promotion.
9. To improve procedures and techniques of operation (better ways of doing a job, better management and leadership techniques, more effective controls, better sales techniques, and so forth).

To carry out the above objectives, there are three principal types of training. These are: (1) training in skills and knowledge, (2) attitude training, and (3) leadership training.

How We Train Employees to Stimulate Member Participation

Gale Anderson

The sole purpose for the existence of a business in any community is the service it renders to its customers in meeting their demands for goods and services and the market it provides for their products.

AREAS OF PARTICIPATION

Every type of business organization has this purpose. Cooperative business has it also, but cooperative business, as a type of organization, has one relationship not found in the usual concept of a business institution. That relationship is the customer ownership of the business. Most businesses do not contain this dual relationship. The owner or owners are not the basic customers of the ordinary business organization. In the cooperative, the customer and the owner is one and the same person.

Therefore, we have two areas of participation we must consider if we are to "train employees in stimulating participation."

CUSTOMER PARTICIPATION is Area No. 1 and OWNERSHIP PARTICIPATION is Area No. 2.

CUSTOMER PARTICIPATION

In training an employee in how to stimulate more or better customer participation in the cooperative, two separate objectives must be clearly understood by that employee.

First - the Business Objective -- to make the total farming operation of its farmer customers more profitable to them.

This should be literally burned into the mind of the employee, like a brand; burned into his conscious and subconscious mind, until it becomes the basis for every action and word of that employee in his relation to the customer. Every employee is a customer-relations representative of the business. It is the customer who feeds and clothes the employee and his family, and gives him what he has in life.

Second - the Employee Objective -- to improve the attitude the customer has toward the business, improve his opinion and the way he feels about the business.

Too often, while you are talking with or training an employee - he will tell you he is carrying out his objective, when he tries to inform his customer about the cooperative and its accomplishments. This may help, but often it does not.

Too often the employee believes he is developing his objective with sales promotion effort, product information and all those sales gimmicks he uses. Not necessarily so.

So if "getting him to patronize more" does not result in reaching the objective - what does the objective mean? It means, you try to change or improve his (customer) attitude toward the business, so he likes the cooperative and wants to do business there.

Customer relations and sales promotions complement each other, but you cannot substitute one for the other.

A customer may think highly of the business but know relatively little about it. Or he may understand the business, know cooperative organization, know all about the services, and yet not like the cooperative at all.

An employee should realize that any activity on his part which affects the attitude of his customer toward the business (cc-op) is a part of the customer relations program of the business. He should seek out ways to stimulate member participation as a customer, which will affect that customer's attitude - and certainly a more favorable attitude.

What do we instruct or train our employees to look for when they are considering what they could do to stimulate a favorable attitude in the mind of the customer?

1. Personal opinions are formed on the basis of many things. Here are some to remember, any one, or more, of which may influence each customer differently.

- a. Appearance of the office, plant, facilities.
- b. Appearance and attitude of employees.
- c. Quality of products handled.
- d. Kind of service they receive.
- e. Commercial reputation (what other business people say).
- f. The amount and accurateness of the farm management advice or counsel they get from manager and employees.
- g. The financial condition or security of the business.
- h. How much the business (employees - board) participates in community activities.
- i. The quality or type of advertising done.
- j. General atmosphere around the office or plant (friendly - or cool; businesslike or sloppy, rigid or carefree, overly solicitous or "We can't keep or sell them all anyhow" attitude).
- k. Number of needed services being provided (or not being provided).
- l. Cooperation with agricultural leaders of community (or go-it-alone).
- m. Is it a growing business - on its toes, expanding over the years?
- n. Are new customers being gained all the time?

2. Regardless of all these items in point number 1, as potential influencers of opinion and attitude, the most important goal every employee must strive for is: PROVIDE GOOD AND HONEST SERVICE.

Immediately the employee will say, "But we do, don't we?" The answer is found in our next point, number 3.

If the answer is yes (that's my motive) for every sale, every service, every purchase of product from him, then you have good honest service.

3. Let us illustrate: A farmer comes in, wants to buy a product which you know is not going to do for him what he thinks it will. Do you sell him what he wants and needs or what he asks for? Do you take time to change his mind - sell him something just as good (you don't stock the brand he asks for?) Explain why it won't work, refuse to sell it - because you know it is not going to do the job. AND SO LOSE A SALE!

How HONEST are your sales? Your prices? Your advice? "BETTER BUY IT NOW, it's going up;" "Store your grain" - "Sell your grain;" "Blame the Government;" "Go sell to the competitor, I can't pay two cents more," (but watch your weights, grades, moisture; do a little figuring, sell one load here - one there?).

If your service and advice are always honestly based on "Will this transaction help the customer?" you may lose a few sales or purchases at first, but in the long run when your customers learn they can rely on you for sound advice, their attitude toward the business will be good and they will like to trade with you. They will be back.

You may be able to show a big net savings - by "fast" deals - but what about the attitude? Can you hold them by "fat" refunds?

OWNER PARTICIPATION

In the beginning I said that the first area of member participation was as a customer of the business. This is not the only area. Area 2 of member participation could be called membership participation, or ownership participation, because the customer is the owner of the cooperative business. Most businesses today do not have this dual relationship. The owner is not the customer in the ordinary business organization. In a cooperative business the owner and customer are one and the same person. In this Area 2, training employees to stimulate ownership participation, I have little to say. We don't do much training of employees, beyond informing managers perhaps, on how to get the owners to participate in organizational matters.

This is an important area, but too often we discuss it at great length, then do very little about it, except to complain that members don't feel their ownership or take their responsibility seriously.

I would place under this Area 2 participation, such activity as the following:

- a. Annual membership meeting.
- b. Educational meetings of members.

- c. Product or sales promotion information meetings.
- d. Directors' meetings.

All these meetings (organizational in nature) have attendance, program, refreshments, prizes, and special features problems. Usually employees have little responsibility for or take little part in such meetings. The major effectiveness, if they have any at all, primarily lies in the customer relationship opportunity available to them outside the formal program conducted at such meetings.

Participation on the formal program of the meeting will basically involve ability at public speaking on special topics assigned. Few regular employees are specialists in organizational matters. All too often they are not sufficiently informed on ownership and its responsibilities (capital, finances, policy formulation, and so forth) to be able to stimulate much participation. This is to say that what perhaps needs to be done is to thoroughly inform them so they do know their employer (the co-op) well enough to express pride in their employment.

- e. Periodic reports - membership publication; manager's report, annual or periodic; special leaflets; card mailings.
- f. Member activities, other than attending meetings - take part in discussion; offer suggestions, complaints; women's programs; committees.
- g. Youth activities.
- h. Every member a cooperative salesman in the community - community relations (Jones, the leading citizen of the co-op, the project leader).
- i. Tell the story of the job well done - giving publicity to the member.
- j. Gifts and handouts.

Finally and in conclusion - how do you conduct an employee training program which will result in membership and customer participation?

I use a two part system of interest-stimulating tests, to open up discussion and by case problems or situations, taken from real life situations occurring in the day to day business, discuss what is good procedure and why some things are not so good.

It should be of interest to you to note that regardless of the answer the employee checks in these tests, he is always right to a certain extent, except that some other answer may be more right or correct, once we discuss the situation.

Effective teaching rests on certain approaches being followed, if results are to be obtained. What you do in teaching an employee will in turn be used by that employee in "teaching" his "students," the customer-owners of the cooperative.

1. An interest in the subject to be taught. Interest on part of student - not teacher. Too often the teacher is the only interested party. So the teacher must find some way to create interest on the part of the student.
2. A goal or purpose for learning more about the subject.
3. An understanding of the new information in relation to that already known. (Every answer is right - in light of what he knows - but the best answer may be new material, since it goes beyond what he now knows).
4. The ability to perform on the basis of understanding. (If he knows why he should, he may; command it to be done a certain way, without any why, and he may resent it).
5. The feeling of satisfaction or achievement that comes with ability to perform. (Motivation for further progress - attention directed to performance with compliments goes further than a raise in pay).

DOES THIS WORK?

Does all this work? It does and it can, if you work at it. First you have to start where you are, with the employees you now have. But one series of employee meetings will not do it. It is a daily job - to the extent that each employee is reminded of it in some way, individually, as he performs his daily duties. Observation by management of the performance going on should tell the manager when to remind an employee and how to remind him. A simple question - "Did you sell him? Why?" will cause the employee to analyze his action - motive, and so forth, - if you have been a good teacher to begin with.

As a new employee comes into the organization, time (individual time not group time) may be used to do what you did when you held your first employee meeting - give tests and discuss this program.

PROOF

But you want more proof, don't you? OK, just one example, I could give you many. A certain Nebraska supply cooperative started out on this very program about 6 years ago. It is a county-wide organization. Prior management had not been too good, sales were not bragged about. Finances were weak, no cash refunds were being paid - all deferred. There was a question in the mind of the cooperative bank and regional wholesale whether it would pull through or not.

A young manager came in - a kid to the oldtime employees. The board of directors turned him loose, do or die. He was young but his judgment was

sound. He started with the employees - employee meetings. He laid the cards on the table - he trained those oldtimers into an aggressive customer relations team. Where do you think I got these tests? I got them from him, that is I worked with him on them. The employees did the rest. That manager did not do much beyond this, himself. He was not the program - the employees were.

Did it work? Six years ago sales were slightly under \$100,000, actually below the break-even point. In 1960 they were over half a million and going up. It began with employee training. It didn't stop there however. All relations areas--employee, board, members, community--were developed. But it started with training employees on how to stimulate member participation. It wasn't easy but it worked.

Developing Local Directors For Effective Leadership

Stan T. Tomke

To achieve effective leadership in directors, I have found the following four steps useful:

1. Create a Friendly Atmosphere.

After the election of directors at the annual meeting, announce to the membership thanks for appointing a fine person to represent them in the conduct and operation of their cooperative. Ask the membership to help the new director in the discharge of his duties by constructively analyzing the cooperative functions.

Immediately following the annual meeting, extend greetings to the new director and introduce him to the other members of the board. Advise him of the date and time of the board meetings.

Following the above procedure will create a good friendly feeling and will instill a sense of pride to be a director.

2. Give New Directors Proper Orientation.

At the first board meeting, put the new director at ease. Do not put the new director on the spot by directing questions to him. Give him time to grasp the method of conduct at board meetings.

Furnish him with copies of the Articles of Incorporation, Bylaws, and board policies. Review all of the documents with him. The review will act as a refresher course for the other board members. Don't try to accomplish too much at the first meeting. Also, furnish him with a copy of the monthly report of operations. Immediately he will get an insight of the operation, and he will be exposed to the internal functions of the cooperative.

He will be informed that the board acts as a team. Emphasize at this point

that there are no cliques among the board members. There are no certain groups or districts trying to control the board.

It is highly important that all members of the board fully understand they work together as a body, and not as individuals. It should be explained that all business is transacted by the actions of the complete board, and that personal discussions are kept within the board.

Encourage directors to bring members' questions to the board meetings for discussion. Make every attempt to answer members' questions as soon as possible.

Present all facts and figures in an understandable manner. At all times maintain a business atmosphere during the board meetings. Preserve the dignity and respect of a board of directors' meeting.

Remember, a fully informed director is a happy and confident director. He will accept his duties with ease and friendliness. Never display the attitude that directors are "snoopy," "bossy," or dictatorial. Be diplomatic and tactful at all times.

It would be well to show directors the many reports that need to be prepared concerning the business as well as other related papers. The directors will better understand the complex problems of the cooperative and, too, will better understand some of the time-consuming operations of management.

3. Create a Proper Cooperative Image.

It is of utmost importance that the director portray a good image of the cooperative. A well informed director serves as a good public relations person. His actions and feelings are soon noticed by the members.

Use the talents of directors whenever possible in community functions. Never underestimate your directors, and they will feel important if they are asked to assist in the various community projects.

Ask the directors to attend conventions, short courses, and visit other cooperatives. Be sure to spend some time with the board at business meetings. Don't leave the impression that they are in the way. There should never be a barrier between manager and directors.

The attendance at the various meetings will give prestige to the directors, and they will automatically reflect a better image of the cooperative.

4. Develop a Sense of Belonging.

Strive at all times to make the directors feel they are making the decisions and promoting cooperative growth. Always give the directors the opportunity to make the first move. Directors will feel a sense of belonging when they are consulted about the various business decisions and the future of the

cooperative. Give credit for accomplishments to the directors. Never make important changes without first properly informing the board.

Show appreciation to the wives of board members. They can be of tremendous help to the cooperative. Wives' feelings and actions spread quickly in a small community, and they are certainly goodwill ambassadors of the cooperative.

In my humble opinion, togetherness is the keynote to director success, harmony, and leadership.

Developing Regional Directors For Effective Leadership

Leslie C. Roenigk

By and large the men who are elected on CCA's Board of Directors have proven themselves as cooperative leaders in their own local community. Our board consists of 21 members. Twenty of them are elected from designated areas, and one is elected at large.

They are elected for a term of 3 years, and there is no provision in the bylaws that prevents their re-election, so with the 3-year terms there are 6 or 7 whose terms expire each year. When a director's term expires in any given area, one delegate from each member cooperative in that particular area goes into a caucus at CCA's annual meeting and nominates their directors. Oftentimes there is a runoff in the nomination in that particular area, and following the respective area caucuses they are elected by all of the assembled delegates.

There is no restriction as to who may be nominated for the board other than he should be a member from a cooperative that in turn is an owner-member of CCA. He may be a manager or he may be a director. The officers of the board are elected by the board. At the present time, CCA's board consists of 7 managers and 14 farmer-members.

Now, as I stated before, these men have some degree of leadership ability or they would not have been nominated and elected by their own people.

Our first move for a new director is to see that he has in his possession a Fact Book, which is not for public distribution. In this Fact Book is a copy of the Articles of Incorporation and Bylaws and a list of the officers of the executive committee. The amount of common stock and number of common shareholders in each State is shown. Of course, our common stock shareholders are all cooperative associations. No individuals hold common or voting shares (with the exception of the CCA directors complying with Kansas State law).

Then we list the Rochdale Principles. On another page is a very condensed statement of operations of the past year, and also accomplishments for the

past 32 years. Two more pages are devoted to listing major steps of progress such as, when we started the Cooperative Consumer (the membership newspaper), the first refinery, purchase of additional refineries, our start in the fertilizer business, and so forth.

Then several pages are devoted to CCA's subsidiaries and a listing of other regionals and educational institutions with which we are affiliated.

Several pages are devoted to the financial position and the capital structure of CCA. Another page is on the amount of taxes paid. Several pages are devoted to the organization of the field force and how they work with retail member-owners.

This book also explains the channels of distribution and the sources of supply of co-op products. Our manufacturing facilities are briefly outlined, and so are our policies on research and personnel.

Several pages are devoted to the board responsibilities and how it operates and the powers of the executive committee. It also advises them of their compensation (which, by the way, is \$20 per day plus travel and subsistence) while actually serving in board meetings or designated assignments.

During the board member's tenure in office, he will be requested to attend meetings of other organizations, such as the American Institute of Cooperation and the National Council of Farmer Cooperatives. On other occasions he will be requested to represent CCA and be on the program for local annual meetings, State council meetings, and other cooperative activities.

At times, the regular board meeting is called to convene, not at the headquarters building but in a town where some new facility has been acquired recently or where there is some particular co-op activity going on.

For instance, when we opened the fertilizer plant at Muskogee, Okla., one of the regular board meetings was called in Muskogee. Another time, the regular board meeting convened at the YMCA conference camp near Estes Park, Colo. This was during the time we were holding our Family Camp at the same place, giving the directors an opportunity to view what we were doing in an educational way.

During a director's term of office he will be assigned to various committees. For example, a committee may be assigned to study a certain field we contemplate entering, such as investigating the feed mills of several large regionals. This is just one example of many.

Also, certain CCA directors are selected to serve on the board of a cooperative corporation which we own jointly with two other regionals.

The directors are always called upon to appear on the program of our district meetings that are held over the area, that is, a director or directors who may be in the particular district where we are holding the district meeting.

Each month each director receives a monthly operating statement - year to date. Prior to each regular or called board session, a report is made up not only of the financial report but a rather complete report of all the activities that have occurred since the past board meeting. This is compiled and printed in book form and is mailed to them a week or 10 days in advance of their convening. It gives them an opportunity to study this, and to the best of our observation they read this report word for word.

Directors are also given a tentative agenda, so that they will know the things on which they will be requested to make their decision. In addition to this information, they receive a monthly letter from the president advising them of the progress of CCA, of any unusual or outstanding accomplishments, and monthly and year to date operating statements.

In addition to the monthly newsletter, directors also receive each month the economic outlook prepared by our director of economic research.

CCA pays the tuition for any directors who attend the management institutes sponsored and conducted by CCA in conjunction with a management consultant firm.

These are the highlights of how we Develop Regional Directors for Effective Leadership.

SESSION II

I

Thursday, May 4 1961

Chairman: Kent Pridey

WORKING WITH MEMBERS TO ACHIEVE PARTICIPATION

Getting Members' Approval on Mergers

Gordon H. Busloom

Perhaps first we need to clarify whether a difference exists between a merger and a consolidation. Webster's dictionary defines a merger with reference to corporations as the vesting of control of different corporations in a single one by the issue of stock of the controlling corporation in place of a majority of the stock of the others, without complete dissolution of the merging companies.

When a consolidation takes place the existing companies dissolve and then join together to form a new company. Actually, this clarification is of no great importance to my particular subject except that in this Midwest area probably most of our experiences have been and will be with mergers rather than consolidations.

As member relations people I am sure that all of us have been involved in mergers and have encountered many problems of 'selling' the idea to the stockholders involved. My observation of mergers is that they can be conducted as beautifully and smoothly as the wedding of Grace Kelly and Prince Rainier, or they can be as nasty as the ugliest divorce case. The determining factor, to a large extent, is the reaction of the members to the presentation of the entire situation.

I have recently been involved in two mergers within the State of Nebraska. One was accomplished very quickly and to the apparent satisfaction of most of the individuals involved. The other, after being presented to the membership for completion, dragged out for almost two years and was strongly opposed throughout this entire time by certain segments. In my opinion, the only reason for this opposition was a lack of complete understanding. Actually, those who offered the opposition had the most to gain.

As I view the overall situation of securing members' approval on mergers, I am convinced that we, as member relations or public relations people, need to consider a much more broad area. Too many farm people apparently have little or no idea of the principles and operational procedures of a farmer cooperative. Those who helped organize and know the real problems of preoperative days are no longer active. The present generation has a "take it or leave it" attitude and is interested in the cooperative only for the material gain it may afford its members. To illustrate this I would like to use just a couple of statistics gathered jointly by U.S.D.A., Nebraska College of Agriculture, and the Information Division of the Farm Credit Banks of Omaha. In the year 1958, only 21 percent of the grain crops produced on Nebraska farms were marketed through a local cooperative marketing association and in turn through a regional cooperative association. Approximately 33 percent of the short and intermediate term credit needed and used by Nebraska farmers was secured through a Production Credit Association. I am not using these statistics to belittle Nebraska cooperatives

because I am sure that you will all admit that the situation is very similar in your home state. The reason for these is not that facilities are not available but rather that the farmers don't really know about the cooperatives.

Gentlemen, my point is that until we have motivated farm people on a 'fire and brimstone' belief in their cooperatives, we cannot expect to accomplish those mergers that need to be completed. We have become so concerned with selling our products, so concerned with prices, with cash refunds or with competitors offering rebates that we have forgotten to 'sell' cooperatives as an American institution.

When so many care so little about the operation of their cooperative association how can we expect them to be anything but reluctant toward promoting the completion of a successful merger. So, while it may appear that I have become somewhat sidetracked, I believe that this job of securing members' approval starts a long way down the road. I submit to you step number one in securing approval: 'Promote enthusiasm toward the cooperative movement.'

As we attempt to secure members' approval we encounter many additional roadblocks. One of the most common comments comes from those who helped build the existing cooperative and who are reluctant to see it lose its identity. Others object to an association becoming so large that they lose personal contact with the manager and other employees. Still others object that they will not receive proper representation since members of the board of directors will most likely be more widespread.

From my own experiences, from talking with others, and from the views expressed by I. W. Rust, Farmer Cooperative Service, in the April, 1961, issue of NEWS FOR FARMER COOPERATIVES, these three objections seem to be the most common.

Step number two in securing members' approval should be centered around these objections. A cardinal rule of selling any product or idea is based upon capitalizing upon legitimate objections with facts needed to minimize them. Have available and present in a logical and graphic manner a plan that shows why a merger will reduce per unit operating cost, why it will increase efficiency in the use of facilities and personnel, and how it can help to increase the bargaining position of the farmer members.

In my opinion many associations need to give serious consideration to mergers. In Nebraska there are more than 90 small communities in which there are at present operating two or more cooperative associations that in many cases are performing services very similar to one another. The idea of considering a merger may come from the manager or the board of directors, but more likely the original thought will come from a member relations person or from an auditor, financier, or legal counsel. Whenever anyone from the above mentioned groups proposes to a board of directors that they should consider a merger with another group, the one making the proposition had better have some clear-cut ideas of what is involved with a merger and what procedures are necessary for the completion of one.

Many legal and financial problems may arise of which the average lay person is completely ignorant. The two associations I mentioned earlier that encountered a great deal of difficulty in completing their merger attempted to do it all between the two managers and the two boards of directors. Very little help had been asked from the outside and no legal counsel was secured whatsoever. In fact, I am amazed at the associations in the million dollar or multimillion dollar categories that have apparently never consulted an attorney. Frankly, it is difficult to see how they can operate without many legal entanglements. Step number three: "Secure legal and financial counsel."

As soon as a board of directors begins to discuss the possibilities of mergers, many rumors that often cause difficulty are going to start clouding the picture. Employees are going to become concerned and will start to ask questions like "What will happen to me and my job?" Community leaders may wonder, "How will this affect our town?"

Many cooperatives seem to fail to realize that their employees are their greatest asset. Even though the man is hired to run the gas pump or the grinder he is doing by his actions and his words a great deal to make or break the cooperative. Going back to step number one, many employees are completely ignorant of the facts of the philosophy of cooperatives. Whenever the discussion of a merger reaches a serious stage, all employees should be given information and assurance that provisions will be made to secure their present or more favorable position.

So, step number 4, "Use employees as Ambassadors." If an employee has all the facts, he most likely will sell his customers on the idea of a merger. If he has only hearsay information, he probably will do everything possible to "kill" the idea.

Likewise, in many communities, other business men are going to be concerned. While I don't advocate shouting your plans from the rooftop, I do believe it is wise to keep them informed, particularly if new facilities are to be added within a particular community.

With our basic problem that of securing members' approval, a logical step often ignored is that of involving membership in the planning. So often the membership is never given the privilege of helping develop a recommendation or really taking action in setting policy. Study groups composed of committees from both cooperatives involved in a proposed merger can discuss many problems and present to the respective board of directors their recommendations. This has the benefit of providing assistance to the board but more important to show the membership that the problem has had study and that this is not just a "brainstorm" of management and directors.

Care must be taken to define the responsibilities of such study groups and ideas suggested to them for action. A study, conducted by Walter Wills of Southern Illinois University and Robert Rogers, Secretary of the National Peach Council, presented in a paper at the 1959 American

Institute of Cooperation sessions, shows that co-ops can develop a more favorable member relations program by providing:

1. Goods and services wanted by members.
2. Aggressive leadership that leads rather than follows.
3. Long-range planning with flexibility as conditions change.
4. Members who have an opportunity to be in on planning policy changes.
5. Same policy considerations for all members.
6. Employees who are authorities.
7. Employers and management who are member-oriented.
8. An information program for new directors, new members, experienced members, and employees.
9. An understanding of the relationship with other area cooperatives and other farm organizations.

Very likely these nine points could be considered by study committees to determine how a merger might affect their association in respect to the above. For example, a merger could logically provide a volume and size of business that would allow employees to be authorities within certain fields rather than a "jack-of-all-trades" in a small association. A merger may also very likely be effective in providing more of the goods and services wanted by the members.

Many cooperative members appear to be followers and are not too concerned about the operations of their business. But we must grant that there are many, who some call "agitators", in each association who do think things through and want information on what is happening. Some of these are going to ask questions about the liabilities of each association, the transfer of stock at par value, and whether one association or the other is going to get a material advantage. Step number five: "Use lay committees."

When the study committees have completed their discussions and have prepared their recommendations, the respective board of directors should consider the recommendations carefully and then each board pass a resolution in favor of the merger if such is their desire. The next step is presentation of the idea to the stockholders of each association.

Extreme care should be given to details in calling a stockholders' meeting which most likely will be a special meeting; however, in some cases it is presented as a part of the annual meeting program. Overlooked by many associations is a point which I believe cannot be stressed too strongly and that is to provide for a good physical environment. A meeting conducted in a cold, drafty, noisy, and dirty hall cannot be

nearly as successful as one planned in cheery surrounding which has started out with a well prepared meal efficiently served. I am convinced also that a meeting of this type should be an affair which includes the wives but tactfully excludes small children. Again many associations overlook the fact that the women have a more determined interest in the local cooperatives than do many of the men. Step number six: "Plan good meeting."

While such a meeting should be chaired by the local board chairmen there is good reason in most situations to consider carefully an outside resource person to present the merger plan to the stockholders. Such a person, of course, must be completely familiar with the procedures that have been discussed.

Thinking of the Midwest Member Relations Conference a year ago and the first speaker of the conference who used the title "Words Need Help" I strongly urge that the presentation include a visual description of the merger proposal. An operational chart such as this one I had the opportunity to use can be very beneficial. At this point I believe it extremely important that the speaker in his introduction be concerned with our step number one: "Promote enthusiasm toward the cooperative movement." While time is always limited, a few well chosen remarks in this area can do much to change the final outcome of this type of meeting. Step number seven: "Present effective plan."

At the conclusion of such a meeting, after discussion has taken place, a plan of action should be adopted. After the group has voted affirmatively on progressing with the proposed merger, a plan should be agreed upon for completing the final arrangements. One association that completed a merger rather smoothly proposed that at least two-thirds of the outstanding stock should by agreement be transferred to the other association within a 6 week period. This was accomplished rather easily and then final arrangements were able to be completed for the merger. Another association did not even vote at a stockholders' meeting on going ahead but instead tried to secure their votes of approval by mail. This proved to be an almost impossible task and one which caused this part of the merger to require almost 18 months' time. Step number eight: "Take positive action."

Communications with members and prospective members must be given special attention. Certainly not all the stockholders are going to be present at a meeting called for the purpose of discussing a merger. A special newsletter or personal letter to each stockholder from the board of directors should be sent as soon as possible after the meeting. Giving the membership the facts involved is going to materially reduce the questions and criticisms that often occur. Because of the independence and conservative nature of most farm people, any group that has completed a successful merger can be justly proud of itself.

I don't imagine that we could discuss in a week's seminar all the possible implications of mergers or the procedures that might be practical to secure the members' approval. I have not scratched the surface here this afternoon, but I have tried to bring you a few logical steps which I have observed and have been a part of in the completion of a couple of mergers.

In conclusion, let's see what the steps are:

1. Promote enthusiasm toward the cooperative movement.
2. Capitalize on objections.
3. Secure legal and financial counsel.
4. Use employees as ambassadors.
5. Use study committees.
6. Plan a good meeting.
7. Present an effective plan.
8. Take positive action.

Member Problems Involved in Mergers.

John P. Comstock

Perhaps you have wondered how a subject relating to mergers ever got on the program of a Member Relations Conference. I don't know what the Program Committee had in mind, but to me it represents the perfect union of time, place, and subject. In the next few minutes I hope to tell you why.

Show me the man who has worked on mergers and I'll show you a man who has learned to walk humbly with his God. Show me the man who has worked on mergers and you have pointed out one who has learned from experience the bitter taste of defeat. A man who has worked on mergers has come to know the full meaning of futility - he has been humiliated, deflated, insulted, and even had his sanity questioned. His very soul bears cuts, abrasions, and contusions that no self-respecting man should ever have to suffer.

This could be illustrated by a hundred stories. One of my favorites is the one told by John E. Eidam, President of the Omaha Bank for Cooperatives.

There were two cooperative grain elevators 5 or 6 miles apart. One had grown and prospered, its facilities were modern and its financial structure strong. It had kept pace not only with the changes of time but with the changing needs of its members.

The other had a small, wornout, obsolete elevator, and nothing else. Its management was poor and its operations ineffective. Its financial structure was weak and it appeared that it was about ready to "go down the drain."

To prevent this, a merger was proposed. After considerable work, the strong and successful elevator agreed to the merger although it had absolutely nothing to gain. It was felt then that the battle was won. The membership of the small, weak elevator had everything to gain and nothing to lose.

The merger proposal was submitted to its members for approval at a meeting called for the purpose. After some rather desultory discussion, one of the members rose to his feet to make a speech.

He was both an eloquent and effective speaker. In essence, this was his speech:

"My Father helped organize this elevator at about the turn of the century. Ever since boyhood I have been able to look out our kitchen window and watch the slanting rays of the early morning sun paint the old red building with warmth and welcome. The setting sun silhouettes it against the sky at nightfall. It is like an old friend and neighbor. It almost seems a part of my farm. I count every member of the elevator among my friends.

"I know that our old elevator is worn out and obsolete. I know that our cooperative doesn't have the money to provide the variety of services that we would like to have. Nevertheless, we own it and it is ours.

"As long as I can remember, every bushel of grain taken off our farm was delivered to it, and as far as I am concerned I intend to keep right on delivering it there for the rest of my life." Then he sat down, and as you can well imagine the vote AGAINST the merger was overwhelming.

It was neither fitting nor proper that this merger attempt should have come to such an untimely end, but the result was neither isolated nor uncommon. Similar fates have befallen hundreds of other attempts and will undoubtedly continue over and over again in the future.

My purpose here today is not to make a case for bigger and better co-ops through mergers, but rather to discuss the problems which confront members in the consummation of such mergers. Nevertheless, in discussing these problems it is important that we have in mind what mergers often have to offer.

It has been aptly said that a cooperative is not a religion or a way of life, but a business corporation whose primary purpose is to increase the net income of its member-owners. This definition may be somewhat oversimplified but it will serve our purposes here. It seems fairly obvious that in a great many cases mergers would help to accomplish this primary purpose more effectively than existing cooperatives. Mergers offer increased efficiency in several ways - better management, better facility use, better use of personnel, lower unit costs and overall reduction in expense. It seems reasonable to expect that bargaining power would be increased, both in buying and selling. Oftentimes a larger cooperative can offer services that would not be otherwise feasible or possible.

If mergers have so much to offer, why then aren't there more of them? Let's explore that. Let us visualize for a moment a prospective merger where every factor seems favorable. Then, if you don't mind mixed metaphors, let's see what is likely to happen.

Even under such favorable conditions, when a merger is first suggested, the idea sometimes goes over like a lead balloon - it dies "a-borning." Next, if the original suggestion survives the initial ordeal of birth, it never acquires enough vigor to get off the ground. Othertimes, if the idea gets over these early hurdles and lives on for a time, it later languishes and dies on the vine. Or, having come down almost to the finish wire, we get tripped up in a manner similar to that in the story recounted a moment ago.

We can get member resistance at any stage of the game, even under what appear to be the most favorable circumstances. What motivates members to oppose what is obviously for their own best interests? I do not believe that it is whim or caprice. I believe that the proposition of merger has confronted the member with specific problems which have not

been recognized, understood or perhaps even have been ignored. Let me repeat that - I think it is because he is faced with problems for which he has not found a solution - nor has anyone else provided the answer for him.

Our approach to these problems has to be one of sympathetic understanding. Usually we are critical and resentful when our well-laid plans for a merger blow up in our face. In exasperation we blurt out "Why can't they see that they have everything to gain and nothing to lose? Perhaps it was we ourselves who didn't or couldn't see. I'm sure the farmer-member knows as well as we do that the primary function of his cooperative is to increase his net income, but the thing that we overlook is that there are things in this life that are worth more to him than money. There are things in life that are worth more to the member than money and it is these things that are his problems. Let's take a look at some of them.

Before we do, let me say that I hope you won't expect me to unveil any dramatic and just now discovered problems. I hope that perhaps we can get a new prospective toward them.

These, then are the members' problems.

1. Loyalty to Community.

The member asks himself - can I support the proposed merger without being disloyal to my community? MY community. When you meet up with this, don't belittle it - face it, for its roots grow deep.

For many years my home was in a small town and I know that rather largely the people there felt that their town ended with its corporate limits. To them, what lay beyond those corporate limits was trade territory inhabited by people with a different way of life and different interests.

How do farmers feel? Well, only recently I was talking to one who happens to be president of his co-op. In speaking of the town where it is located he said, "We are pretty community minded here - anything that will help the town, we're for." It is one of the sickest towns I know. Did that make any difference? NO!! Conversely, these farmers are against anything that will hurt their town. And unless such members can feel that, in the long-run, the merger won't hurt it, they may oppose their own individual best interest.

2. Community Rivalries.

Such rivalries are often intense, almost unbelievable. In the same small town I mentioned a moment ago, you could scarcely have a 5 minute conversation with anyone there without unkind mention being made of a rival town. These were said to be the two fastest growing towns in the state. Neither asked nor gave any quarter in either sports or business. A merger there? - Only over someone's dead body - and that's a high price to pay for a merger. How does a member solve this one? I don't know in spite of the fact that I've watched all the movies about

feuds. In the movies, love usually finds a way.

That may be the answer here, but its going to take an awful lot of love.

3. Affinity for What Is Ours.

The heartstrings of every human being are pulled tight by this emotion and the farmer is no different than the rest of us. His dog may be of little worth, but it is his. Members of his family may disappoint him, but they are his as long as he lives. His farm has a special meaning for him and so does his cooperative. If you expect to wash his cooperative down the drain, you had better have some pretty good answers.

One day I stopped in to visit a small creamery from which we had received an inquiry about getting a loan. It was housed in a picturesque old brick building and near the peak was a white stone bearing a date 1880 something. In discussing the situation with the manager, I learned that most of the association's members had converted to whole milk and were now patrons of a large creamery 6 miles away. The association's volume of butterfat was down to approximately 100,000 pounds per year. I expressed amazement that they had been able to keep their doors open as long as they had and asked why a merger with a nearby larger creamery had not been given timely consideration.

About the time that this question was posed, an old gentleman with a cane walked in the front door. Rather sadly, he turned to me and said, "I have been getting a cream check from this creamery since it was organized. It seems like home and I just hate to go anywhere else."

For many members, giving up what they consider to be their own becomes an insurmountable problem. However, it should not be too difficult to convince them that becoming a member of a new cooperative is, after all, not quite like taking a new wife!

4. Pressure Groups.

There may be several of these groups. The manager and employees constitute one of them. They may have been associated with the co-op for many years, and the members often feel a loyalty to them.

Chambers of Commerce sometimes exert pressure on co-op members. I have in mind two creameries only a few miles apart. Merger offered the only possibility of survival. It looked as if the merger was about to be consummated and operations consolidated in the town having the better plant. The Chamber of Commerce of the other town at the last moment was able to exert enough pressure on surrounding farmers to get them to kill the merger. Their town needed a creamery, they said. In less than 90 days the doors of the creamery closed forever and the farmers irreparably lost their equities.

The members' problem of meeting these pressures is best solved by providing him with adequate information - facts. In this instance the town and the members would have been better served by merging.

5. Group Identity.

In the average cooperative, every member probably knows every other member. He has been a patron for years. His dealings with it have all the comfort of an old shoe. He hesitates to trade all this for the uncertainty of new associations. This problem is usually solved if sufficient effort is extended to make him feel he is needed and is welcome.

6. Timing of the Merger Attempt.

Occasionally boards of directors have lacked the vision to see what lay ahead for their cooperatives, or if they did see they have lacked the courage and leadership to overcome inertia and inaction and do something about it. The possibility of merger failed to get serious consideration until it became an economic necessity - the only way out. By that time the cooperative has not only become weak financially but has lost the loyalty and support of a substantial portion of its members. It has lost its bargaining power in a merger. It usually has nothing to offer except decrepit facilities, obsolete and worn-out machinery, and a handful of patrons.

Couple this situation with a proposed merger with a neighboring town with which there has always been intense rivalry. The farmer-member's reaction is that he is not about to be dictated to by the 'so and so's of that other town. The farmer is the last great reservoir of true independence and if he can't deal as an equal, he most likely will not deal at all.

A proposal is sometimes made that four or five cooperatives in similar condition try to merge. I saw one such case where five busted creameries did effect a merger with one that still had a fair volume of business left. The others had already lost most of their patrons. Auditing and legal fees alone ran almost \$10,000 in this instance. The merged creamery is still open but it has had a hard row to hoe. Had the merger come in time, the whole story would have been vastly different. I doubt if anything of value was gained by this merger.

There is another principal problem that arises out of poor timing. It seems to have become a custom with small creameries facing a last-ditch battle for survival to attempt to hold their patrons and gain volume by overpaying from 10 to 25 cents per hundred for milk. Often subsidization of hauling costs goes along with such overpayment. Under circumstances like this, try to put yourself in the member's place. You know that your creamery is in such financial shape that you will probably never get anything out of your equities if a merger is completed, and you will probably take less for your milk and pay more for your hauling. Isn't it reasonable to suppose that you would say to yourself that you are going to get all you can salvage out of your present creamery, and turn to another one after the premium payments are no longer available?

Yes, a member has problems connected with mergers and they are not always of his own making.

Members have other problems relating to mergers - problems that I won't take the time to enumerate here - problems that are important and inevitable - problems that must be solved. These problems, however, are of a different type. They relate to economic feasibility; to plant use; to problems of financing; of organization, legal matters, and economics. These are the problems the farmer-member will face readily and dispose of in a straightforward, practical way.

These then are the problems the farmer faces as an individual. These are the problems that tug at his heartstrings and involve his emotions, and until he has found an answer that is satisfactory to him, he is not likely to be motivated by pure logic no matter how cogent it may be.

The member's reaction to these problems is to his everlasting credit. They are the problems of people rather than the problems of things or of business. He has to feel right about them before going further.

The average member does not wear his heart on his sleeve. He may not mention his basic problems involving his emotions. He may even vigorously protest about some problem in an entirely different area relating to the merger. The objections he voices are very often only to save face.

I read recently an appraisal of the folks who work for and with cooperatives. It likened us to the crusaders of old but pointed out that we had no sense of humor. I have thought about that appraisal quite a lot.

We are, like those early crusaders, fighters for a cause - a cause in which we have unlimited faith. We are determined to advance that cause against all odds and have developed a highly competitive and combative spirit. But like those early crusaders, we have become so immersed in our faith and our battle to support it that we may have lost something of the human touch - sympathy, understanding, and most certainly the ability to laugh at our own mistakes.

If we can but recapture this quality, we might even become more palatable to the folks on Main Street, and I am very sure that we would see more mergers consummated.

This whole talk has been a discussion of problems - problems - and problems. Some years ago I heard a speaker say that a discussion of problems always infuriated him. He said there was no such thing as problems - only challenges. Is there a challenge here for us?

Providing Equitable Treatment for Large and Small Members

Irwin W. Rust

Is it possible to charge all cooperative members alike for a good or a service--and still be unfair to some of them? Results of a recent survey reveal widespread belief that it is possible.

In the early days of American cooperatives, when virtually all farmers were producing on a small scale, the possibility of equal per unit treatment being unfair did not exist. But as some farmers have increased the scope of their operations manyfold, while others have been content to continue with a small scale operation, the disparity between the largest cooperative member and the smallest cooperative member has grown and continues to grow.

Concept of Equality is Widely-held.

Growing disparity notwithstanding, extensive correspondence and conversations with cooperative leaders reveal a widely-held conviction that equal treatment is somehow an essential characteristic of cooperative endeavor. One group notes simply that equal per-unit charges or margins are desirable. A second group believes that such equality is one of the basic cooperative principles. The third group is convinced that strict equality is actually mandatory in order to preserve cooperative status under State and Federal laws.

You will all agree that cooperatives have a strong idealistic element. One result of this idealism has been repeated effort over the years to draw up what might be called Articles of Faith.

An example of such an attempt occurred in the 1930's. At the 1930 meeting of the International Cooperative Alliance, a committee was instructed to search out and list the basic principles guiding European consumer cooperatives. The committee travelled widely, and four years later reported the following seven most commonly accepted principles:

1. Open Membership
2. Democratic Control
3. Dividends on Purchases
4. Limited Interest on Capital
5. Political and Religious Neutrality
6. Cash Trading
7. Promotion of Education

This list is often referred to as the Rochdale Principles.

Here in the United States at about the same time, a leading midwest cooperative developed and promulgated its own list of principles. They resemble closely the preceding list:

1. Open Membership
2. One Member - One Vote
3. Limited Interest on Shares
4. Patronage Refund on Purchases
5. Sell for Cash at Market Prices
6. Neutrality in Race, Religion and Politics
7. Educate Constantly
8. Expand Continuously

Still more recently Farmer Cooperative Service, in a publication entitled "Three Principles of Agricultural Cooperation, "2/ discussed three fundamental principles which set cooperatives apart from other forms of business endeavor. These principles are:

1. Democratic Control
2. Limited Return on Capital
3. Sharing Savings in Proportion to Patronage

It is highly significant that none of these lists says anything about equal treatment, equal handling charges, or equal operating margins.

Still, since so many people adhere to the belief that cooperatives and equal treatment are somehow inseparable, it is interesting to review some comments on the subject. First, let's hear from several who consider that equal treatment for all is highly desirable, but probably difficult to apply under current cooperative conditions.

These Believe Equality Desirable.

"For years," stresses one association manager, "we have felt that equal treatment of all members of a cooperative has been absolutely necessary. However, in view of today's changing agriculture, equal treatment no longer means equal per unit pricing."

Here is what another cooperative leader has to say about the same subject: "The trend seems to be that larger users of products should at least share in the lower per unit cost of handling these products. The argument that this is unfair to the small volume patrons might be answered that if it were not for the larger volume patron, the cooperative could not be competitive in its market area, and thus would lose large volume patrons. This would increase the cost to the small volume patrons. If there were not enough of them, it could result in the collapse of the cooperative--at which point no one benefits. I personally tend to favor the "one price for everyone" theory on the local cooperative level. However, I know to advocate it borders on wishful thinking, because it appears to be neither practical nor possible in this day."

Still another writer makes this comment: "It is my opinion that every effort should be made to give fair treatment to all patrons. If it can be established that a large volume purchase can be made for a lower per unit handling cost, this should be taken into consideration when pricing the product. At the same time, great care should be exercised not to penalize the small patron, nor can unfair advantage be given to the large one."

These Believe Equality Basic.

Now turn attention to some reflections of those who feel very strongly that equal treatment is not only desirable but is a basic cooperative principle. "Relative to the problem of equal treatment versus fair treatment of patrons," says one, "it has been my contention that cooperatives must never lose sight of the fact that equality (per unit) must prevail at all times. The very foundations upon which cooperatives were built rests on equal treatment of all members and patrons. I do not believe we should complicate our machinery by such policies as adjusting charges with actual costs, or other devices such as a sliding scale of per unit prices."

Another writer sums it up more succinctly: "Historically, basic cooperative philosophy says that all patrons should be treated alike."

Some Even Believe Equality Mandatory.

There are even a few cooperatives whose leaders believe (mistakenly) that equal per unit charges and margins are mandatory under law. An example of this is a vegetable marketing cooperative I visited a number of years ago. The organization was losing large sums of money by providing pick-up and delivery service at a fixed per unit cost regardless of distance traveled or volume handled. The manager was quite skeptical when I suggested it would be perfectly proper to charge members what it actually cost the association to provide the services.

So it is apparent that in the minds of many people the concept of equal treatment, sans modifying phrases or clauses, is a part of the cooperative image. Just why should this be?

In searching for the answer to the question I have come to the conclusion, which has been echoed by a number of those with whom I have discussed this subject, that the feeling is probably due to the widely accepted one member-one vote, democratic control concept. "Working for my father in the cooperative I learned the principle of 'one price to all.' Such a policy seemed to coincide with the cooperative principle of one man-one vote." This is how one man summed it up.

In the light of the previous discussion, let's restate the opening question and add another one as follows:

1. Is it possible that equal treatment may not always be fair?
2. Is there another kind of equality, not measured in charges or margins?

In answer to the first question, the manager of an extremely successful marketing association has this to say: "It has been the belief in our association for some years that equal treatment of members has been outmoded by wide difference in volumes which have resulted from the trend to larger farming units. Equal treatment was an applicable principle when all users of the cooperative services were approximately the same size. Under these conditions, equal and fair treatment became synonymous. However, as individual growers became large enough to effect material savings through the size of their purchases or marketings, then fair treatment became another matter."

The same writer has a very effective answer to the second question posed above: "In dealing with these problems, "he says, "our association has taken the view that all members are treated equally when asked to share their fair proportion of association costs. Consequently, (our) pricing structures reflect savings for volume where such savings can be supported on an actual cost basis."

If we can accept this point of view, then true equality exists only when cooperative patrons pay for the actual cost, to the cooperative, of providing the services. In terms of this interpretation, equal treatment is synonymous with fair treatment.

Many Marketing Cooperatives Deviate From Strict Equality.

Pursuing this line of reasoning, what are some possible modifications to a policy of strict equal per-unit charges or margins? Consider the following selected example of services provided by marketing cooperatives and what some cooperatives have done to make their charges more accurately reflect the cost of providing these services.

Harvesting is a service provided by many marketing cooperatives. An executive of a leading fruit marketing cooperative writes that "The assessment of proper picking costs has developed along rather scientific lines. While this problem is not related to size, i.e., volume, it does relate to those factors influencing the man hours required per unit of picking. (The cost of providing the service.)

"The associations all use a picking schedule. The rate per box paid the picker and charged to the grower depends on the size of the tree, the size of the fruit, and the quantity of fruit per tree. Under this plan The picker is able to make substantially the same hourly rate under various conditions of picking. These cost variations are passed on to the grower."

Transportation is another service provided by marketing cooperatives. A large number of egg marketing cooperatives have adopted varying rates for hauling similar to the following described program: "A sliding scale of trucking charges has been put into operation, dependent on the number of cases collected at each farm. This can be justified on the basis of time consumed per case loaded at one stop.

"This move has not been made with the intent to penalize the small producer. Rather, it tends to reflect more accurately the cost of doing business with the various sizes of producers. It helps us to hold our own fair share of business."

Washing. Many marketing cooperatives wash or otherwise process the product handled for their members. Quoting again from the experience of a number of fruit marketing cooperatives, we have the following report: "There is no question but that the cost per unit is greater with the small grower than with the large. These added costs begin to accumulate as the fruit is picked up from the farm, received and run through the machines, and finally as the records are completed in the office. To date, only a few of our cooperatives have adopted means of equalizing these costs. Even in such cases, the approach has been arbitrary rather than exact. This has been done by making a fixed charge on each lot of fruit handled through the washer. In the houses using this procedure, there is a flat charge per washer lot regardless of the number of boxes run. This charge is presumed to cover some of the related fixed charges. Obviously, this flat charge is more per box on a small lot than on a large lot."

Inspection is still another cost item incurred by many marketing cooperatives. One cooperative executive reported that an analysis of his inspection cost revealed the cooperative "was spending inspection money at the rate of \$24 per ton on 80 percent of the number of deliveries, and at the rate of \$2 per ton on 20 percent of the number of deliveries. In order to equalize inspection costs, we instituted an inspection charge of \$1.80 per delivery. (Regardless of size of delivery). While this does not completely pay the entire cost of inspection and bookkeeping, it does help as an equalizing factor. This charge has been quite favorably received by our membership. It has increased the size of deliveries by smaller growers. Instead of throwing five bags in the back of the family car and making several deliveries, they are now tending to arrange to make one delivery where formerly they made two to five."

The writer of the above points out that the new policy "has done two things of considerable importance:

- "1. It has impressed upon the people making both the large and small deliveries that one cannot expect to ride on the back of the other, and
- "2. Indirectly, it has jelled in the minds of most large producers the thought that they do need the tonnage produced by a multitude of small growers in order to give satisfactory volume to handle in a fairly well stabilized market."

Receiving is one cost faced by all marketing cooperatives which take physical possession of the product. In some cases, association managers feel there are so many variable factors to consider that it is not practical to make any distinction between large and small producers. In other cases there seem to be wide enough differences to merit attention.

Commenting on the number of variables which might be involved, the manager of a grain marketing association points out that "there are many factors

which would cause variations in receiving costs. For example, a patron with 300 bushels of wheat delivered in one truck load probably would have a lower per unit (receiving) cost than one with 2,000 bushels of wheat delivered in 50 bushel loads. The type of tailgate in the truck, for example, might have a bearing on costs of receiving grain." To date this association has not considered variations in receiving costs sufficiently significant to incorporate into producer returns.

In addition to tangible, measurable differences in per unit costs associated with marketing farm products, one writer listed an item which he called 'marketability.' According to this man, "At times in an area of particularly keen competition for desirable supplies and members, a purely competitive differential is provided and usually referred to as marketability."

Supply Cooperatives Also Adjust Margins to Reflect Actual Costs

Adjusting per unit margins for goods or services purchased through supply cooperatives poses both problems and opportunities. These are best considered under three headings:

1. Improving plant efficiency
2. Achieving economies of scale
3. Finding a workable plan

Improving plant efficiency as measured in per unit operating costs is often possible because such costs bear an inverse relationship to volume, plant capacity, and rate of plant use. One way in which plant efficiency may be improved is by encouraging purchases during slack seasons, as a means of smoothing out the flow of goods over the 12-month period. One cooperative executive says that "We can get a substantially lower price on tires, which we pass on to the local co-ops both in original price and in refunds, if we place an order for part of our summer tire needs in January. This permits the factory to schedule production more economically."

"A similar situation, but more complicated, exists in the pre-season dating and shipping of fertilizer. We allow a substantial discount, per ton, on orders placed and shipped in October. The discount reduces each month until about March, when it ceases. The purpose of this policy is much more than purely financial. It is just physically impossible to produce and ship our fertilizer requirements during a 6-weeks period in the spring when farmers want it. This is not equal treatment for a dollar's worth of fertilizer purchased, but it is in my opinion fair and just."

Achieving economies of scale in supply cooperatives is possible because of the customary lower per unit cost associated with large volume operations. A large federated supply cooperative reports that "up to about 5 or 6 years ago we maintained a one-price policy on commodities whether the member purchased 1 unit or 300 units in a given shipment. We at that time recognized that perhaps our previous approach was fair in one sense, yet in another we were not reflecting costs accurately to members in

their actual category of usage. A study of costs of local service with varying amounts of usage showed that not only were local costs greater in serving the smaller user (per unit of commodity), but our classification process and patronage records were also more costly to maintain than was the case with larger user.

"To meet this problem, we have developed a program which we call 'Service Cost Adjustments' in which we attempt to reflect as accurately as possible economies which result where larger volume is taken."

Looking at economies of scale from a slightly different perspective consider the following: "If we deliver 100 gallons to a member, the cost is much the same as if we had delivered 500 gallons. While there would be some additional loading time, some additional unloading time, and a slight increase in the expense of hauling, these increases would be minor. Therefore we may correctly assume that all persons who make available larger storage and who order larger quantities are entitled to some price consideration."

Finding a Workable plan constitutes the third factor associated with efforts to classify margins by volume. In thinking about this factor, we are confronted with three questions: "How shall we define 'large volume'? "where should price concessions start?" and, perhaps equally important, "where should price concessions stop?"

The best discussion of this I have ever seen was contained in a letter written by the manager of a local petroleum cooperative. He indicated that the attempt to reconcile equal treatment with fair treatment was relatively new to his organization. In his letter he gave examples of some of the special problems he and his board have wrestled with:

"Suppose a farmer is farming quite a large scale operation and expects a special discount due to his volume. He refuses to add to his on-the-farm storage, however, and expects our organization to qualify him as a volume purchaser. The number of deliveries he requires during the year are numerous, so we cannot reduce our delivery expense. The Board has decided that such a farmer is not a large volume user, and therefore no concession will be made. We have lost some customers due to this decision.

"Another member has agreed to accept large quantity fills. He has authorized a 'keep full' type of operation, which permits us to make deliveries more economically and at our convenience. We consider this farmer a large scale operator.

"Following general trade practices in our area, we will discount one cent per gallon if (1) customer uses in excess of 5,000 gallons per year, (2) customer provides large storage units, and (3) customer gives us a 'keep full' authorization.

"But the practice has caused us new headaches. We have customers now who ask for concessions where their combined volume of two or more types of fuel exceeds the 5,000 gallon requirement. We are still trying to solve this one."

The matter of determining at what point price concessions are to start and beyond what point they are to stop is one associated largely with the nature of accounting costs. It is obvious that below a certain volume and saving the cost of keeping special records may equal or even exceed the amount of savings. At the upper end of the scale of volume purchases there comes a point at which the saving per unit levels out and for all practical purposes becomes constant.

Despite the emphasis on efficiency, however, there is evident in all the comments on the topic of fair treatment a feeling of caution. Cooperatives need both large and small members. Two statements summarize this feeling well. A supply cooperative executive states that: "In our organization we have a general philosophy that pricing to patrons should reflect the cost of servicing patrons.

"In order to keep our unit costs as low as possible, we must have the larger users' patronage. We think this is in the interest of the smaller patrons, because without the larger patrons our unit costs would obviously be higher."

The manager of a large marketing cooperative is equally explicit: "I feel that the wisest course is a very moderate approach to applying costs where they belong, in order to give proper consideration to the increased volume that the small or distant producer brings. I always feel that if an adjustment needs to be made, it is better to make it a modest one and then take a good look at it before going to an extreme."

There are inherent Dangers in Reconciling Costs With Charges.

The establishment of scales of operating margins or marketing charges involves certain obvious pitfalls.

Expediency. Cooperatives which base charges on expediency--where the policy is in effect to have no policy--may expect trouble.

One cooperative manager who discussed this matter with us reports that "in our distribution of certain farm supplies we have an inconsistent, unjustified plan. We give discounts to some, deny them to others, meet the price competition where necessary, and create for ourselves a very unsatisfactory relationship with everyone concerned. If we adhere to a 'flat across the board' price, we lose business to competitors. If we meet price competition we are out of line in equitable treatment of our members. I am very unhappy with the set-up and I have not yet figured out how to change it."

Unwarranted Favoritism. A second pitfall in attempting to establish fair scales of operating margins or marketing charges occurs where favored customers are actually not good customers.

A large supply cooperative with which we are acquainted follows a policy of granting certain customers price concessions because of their (supposed) volume of business. A recent study of its patronage records brought to light some interesting facts.

One favored large user, during the year under study, purchased \$600 worth of farm supplies. During that same year 131 non-favored members of the association purchased (at higher prices) an average, per member, of over \$2,400 worth of farm supplies.

Officials were properly concerned about the obvious weakness of their pricing program. In too many instances, one executive pointed out, the favored classification was granted just to get an order--often on potential rather than actual patronage. The program in some cases actually encouraged patrons to ask for special favors.

Above all, the program was found to be a stumbling block to good member and public relations. It tended to weaken the morale of cooperative personnel, and put immediate sales above the long run welfare of the cooperative.

To correct the weakness of the program the cooperative in question established a new program. Prices are keyed to actual cost of providing the service. In addition, the cooperative publicizes and allows certain wholesale quantity discounts at the close of each year, based on annual dollar volume of purchases by patrons. The new program allows discounts only after they have been earned.

The cooperative feels that the new program is fair to everybody, can be defended, and is simple to administer. All patrons know about the discount due them at all times.

Faulty Communication. The advantage of having members fully informed about scales of prices, and the basis for such scales, is pointed up by the following comment: "Late last summer we put in a series of margins for various size shippers. The scale was arrived at after considerable study. It turned out to be a 'bombshell.' The theory was right but the mechanics were wrong. The smaller producers complained because they received less money for their product. This was in spite of the fact that the return was based on the actual cost of handling. Large producers were unhappy because they thought we were penalizing the smaller members in order to pay the larger members more.

In reviewing the above problem and why it arose, it became obvious that members had not been properly informed about the basis for price differentials. Although notice was sent out to members, it merely stated that a cost survey proved conclusively that it cost the association more to handle small shipments than it did to handle large shipments.

Another possible reason for the disconcerting result in the above case was that certain terms used in accounting for margin differentials may have created a bad psychological impression. For example, the price used as the base was actually the middle price. There were three different prices under the so-called base price, and four over it. Perhaps it would have been better psychologically to call the bottom price the base price.

Some Recommendations

Careful review of the many thoughtful and thought-provoking comments referred to in this brief discussion of the whole problem of equal versus fair treatment for large and small members suggests the following recommendations:

1. Cooperative management should analyze its cost - volume - service relationships periodically; should know what its costs are; and should be everlastingly alert to what the competition is doing.
2. Effective cooperative management will not wait to be forced into following the leadership of its competitors. If a cost adjustment is fair the day after a competitor starts it, the chances are pretty good that it was fair to member-patrons the day before.
3. When considering how to reflect costs more accurately, cooperative management should keep in mind the additional volume of business brought in by small or distant members. Many cooperative managers point out that the large or advantageously located members and the small or distant members need each other.
4. Where a cooperative does install a service cost adjustment program, management must be sure that members fully understand the situation and the reason for the adjustment.
5. Under all circumstances the cooperative must be sure, before it moves in the direction of service cost adjustment, that it is prepared to defend its position.

How We Stimulate Member Participation.

Eugene Becker

What are we actually talking about when we talk about membership relations or member participation? Are we talking about an individual idea or concept of our own? Are we talking about a philosophy which embodies basic, fundamental cooperative principles and their relationship to human beings? And do we expect these beings to implicitly believe and accept all of our ideas about these principles?

When I think of public relations or membership relations, one word becomes extremely significant. People! Human beings with feelings. People with ambitions, aspirations, and desires. People who have met with defeat, who have lived with adversity; but also, who have drunk from the cup of Joy, who have achieved and who have lived dangerously for a cause. Last, and perhaps most important, we are dealing with people who are incessantly searching for the authentic, real meaning of life. They are constantly asking, "Why are we here?" This is a tremendous question. Why is it important in the field of cooperative membership relations?

To find an answer, or at least a partial solution, let us take a look at where we have been. When the pilgrims landed at Plymouth Rock, they were keenly aware of the fact that they must cooperate or die. When a cooperative is in the early pioneering stage, when it is struggling for existence, there is a nucleus of determined individuals who know they must cooperate or their organization will die.

Each of these individuals has a general idea and conception of the problems of the organization and how it should function. Consequently, he remains loyal and sympathetic. However, as time goes on, and the organization grows larger, you have an influx of people who jump on the bandwagon for various reasons. It is here that your membership relations problems begin to multiply. When you spread out over a large area and lose that personal contact, it is difficult for the member to have the interest and loyalty that he should. He begins to feel insignificant and unimportant to his organization. Let me ~~illustrate~~ this on a broader scope. During this population blast which has been going on since World War II, it is fairly easy for the individual to feel a little less significant.

With the advent of the atomic age and the reality of exploring outer space, our imaginations have been staggered. In my quieter moments I sometimes wonder just where I fit into the picture. This, I believe, to a degree, reflects the feeling of many a cooperative member. Somewhere in the transition from adolescence to adulthood in this cooperative business we have lost him. Pride of ownership, loyalty to his organization, not only with his product, but with his ideas, time, and talent, are things which he doesn't think about too seriously.

Let me go back briefly to the question of the meaning of life and why we are here. If a poll were to be taken throughout the world on the question, "What do you want most out of life?" the universal answer would probably be comfort, convenience, and security. In this day and age we have placed our confidence and security in the transitory, tangible realities.

This seems to be what many members want from their cooperative. They are primarily concerned about what they are going to get out of it in a material way. To substantiate this statement with a little more than assumption and theory, I would like to give you some of the findings of a survey I have been conducting for the past 6 years. I have been in the homes of more than 2,500 of our patron members.

There was a specific reason and purpose for these visits to help the members improve the quality of their product and to talk with them about their dairy problems and those of transportation, processing, and distribution. At the close of each conversation I asked the following questions: "What do you think of this idea of cooperative marketing? In what ways do you think it is helping you?" Ninety-nine percent of them stated that what they liked most about a cooperative was the dividend. This is, of course, good.

The thing that bothered me was that not more than 3 or 4 out of the 2,500 mentioned a stable market for their product. Not more than two or three mentioned such advantages as favorable legislation thru a collective effort, storage facilities, or a feeling of belonging to something that is on their side in this highly technical and competitive economy. Not many of them seemed to be aware of the fact that in a community where a cooperative exists there is usually a better community spirit, better schools and churches. Very few of them were familiar with the basic principles of a cooperative.

I do not say these things critically but almost apologetically. And I thought our organization had been doing a good job of keeping our members informed. Perhaps all of us have placed too much emphasis on patronage dividends.

Far be it from me to belittle the profit angle or patronage dividend. For this is virtually essential. It is one of the tangible fruits of our labors. Certainly we need to keep our members informed about finance, economics, importance of good bookkeeping, legislative programs, quality products, and all other areas in which they should be informed. However, without a motivating force higher than money itself, without an aim, without an ideal, we are like a comet loosened from its gravitational attraction.

If I had my choice of leaving just one single impression with you today it would be that our primary aim in cooperative marketing should be social. The people of Denmark are a fine example of this. They are inspired to achieve a fine farm life. They do it by specific methods. Cooperative marketing happens to be the leading economic method. They never let anything interfere with their primary aim. In my estimation this should be the end result of our membership relations program.

An information program should enable its members and prospective members to better understand the services which the members themselves provide through their association, their responsibilities, their opportunities and limitations.

An information program should enable the public to better understand the importance of the cooperative to the community, so that it might operate in a friendly and satisfactory atmosphere. It should be a mirror through which we reflect to the public the values of our respective organizations. We must continually polish and keep it spotlessly clean.

Here are some of the things we try to do to keep our members interested and happy. In our office building we have a soft drink fountain. Many many of our patrons come in and enjoy the refreshing drinks made from dairy products. Before leaving they usually purchase some dairy products to take home. We do not encourage or discourage this "Take Home" business. On the surface this may sound a little strange.

The other side of the picture is that we have merchants through out a one hundred mile radius. We do suggest that they trade with their local merchants. In fact, not too long ago members could come into the fountain, present their patron number and purchase any of the finished products at wholesale price. Unsuspectingly, they would go back to their local merchant and compare prices. You can readily see what complications might arise. Employees in our fountain treat these patrons with the same courtesy and respect as the city customer.

We have five fieldmen who are continually engaged in membership relations work. Russell Beachboard and Don Coulter work exclusively with Grade A milk producers. It is their responsibility to assist these producers with construction, sanitation, cooling, or any other problem which might arise. They serve as mediator between the Health Department and individual producer, or with any problem which may affect the producers as a group. Mr. Beachboard is also editor of our house organ, The Gold Spot News.

This monthly paper is a tremendous influence in promoting membership relations. Here again I have the feeling that we forget about people. We need more stories about farm people in these publications. I cannot think of a better way to arouse interest than to have a good splattering of "down on the farm" news in every issue that goes to press.

Loris Johnson works with the Grade A program also but his primary job is to take care of the Grade C milk program and its related problems. Len Stewart and I devote most of our time to cream producers and promotional work with the entire membership.

PROMOTIONAL MEETINGS are the nucleus of our membership relations program. In the past 10 years or more, we have averaged at least one meeting per week with producers or other farm groups. These meetings are arranged with our advisory board members in their respective counties, or with influential members and program chairmen of various farm and civic groups. We also meet with PTA groups, civic clubs, and anybody else who will let us in

their door. For these meetings we usually show a feature film. We have made five color films during the past ten years. They have been a vital asset in drawing a crowd and in telling our story.

We give talks on various subjects, have discussions and sometime during the program have a question and answer period. These have been most enlightening. One of the subjects which we never fail to discuss in this type of meeting is quality. We use slides, charts, film, and every other conceivable means to supplement our quality program.

Economic history reveals that regardless of how aggressively you promote, advertise, or how astutely you merchandise a product, you cannot expect sustained sales unless you have quality.

Near the end of the program we give away a few prizes. We close the meeting with a good comedy. After the program we serve ice cream. During the refreshment time you will usually find small groups assembled about the room discussing the program or some phase of cooperative marketing. This, we feel, is the grass roots of our membership relations program.

If cooperative marketing could not be justified for any other reason, it should receive vindication for the fact that it has brought people together so they can learn about their organization and marketing problems. Above all they have an opportunity to learn about the kind of product the consumer wants.

In each county where we have 50 or more members we have an advisory board member. We hold a county-wide meeting in each county every 3 years. The members within each county elect their advisory board member. Also at this meeting the members receive information on the sales progress, a financial report on the organization, amount of money paid to members for their product, and finally, the amount of dividend received by members in the county. This county level is a good place for member participation. They feel free to talk about their complaints, their problems or ask questions about their organization.

YOUTH PROGRAM.

The weakest link in the chain of cooperative marketing is a failure on the part of the patron member to realize that the organization is really his - that he is part owner. As such, he has certain opportunities, responsibilities, and perhaps a limitation or two. Until he realizes this he isn't going to get very enthused.

Some time ago I heard of a lady who was fond of frogs. She engaged the services of a professional money raiser. In a short time they had raised \$242 million for the care and study of frogs. In a cooperative, when it becomes necessary to raise the authorized capital stock, we have to take to the hi-ways and bi-ways, making personal calls, encouraging people to vote.

Sometimes I wonder about our public and membership relations work. However, we must not be too skeptical. Far be it from me to discredit the labor of those who have gone before. We have come a long way.

A famous scientist made the following observation: It would take one hundred million years for one hundred thousand monkeys, picking at random on one hundred thousand typewriters to come by chance upon the plays of Shakespeare. The odds are about as great for us to come as far as we have in cooperative marketing - just by chance.

To continue our progress we need the kind of enthusiasm that will enhance pride of ownership in every member of a cooperative. We need the kind of enthusiasm that will cause the member of a dairy cooperative to eat butter instead of oleo. We will need the kind of enthusiasm that will cause a member of a grain cooperative to think of adequate storage facilities instead of dividends. We will need the kind of enthusiasm that will kindle a desire in the heart of every member to want to learn, to keep informed, to be active in his particular co-op.

Here is a very important thing I want you to remember. We cannot expect to get our membership aroused to the challenge before them unless we who are responsible for such a program sincerely believe in it ourselves. We must have a burning desire within our heart, within our minds and within our souls to build a better social life for the rural people of America. I think we must be more concerned about building a social institution than an economic institution or we will lose our identity.

We are going to have to convince ourselves and all of our members that we make a living by what we get. We build a life by what we give. We are going to have to convince all concerned that we need to think more in terms of what we can give than what we can get. One gentleman put it this way. "He who putteth in much and taketh out little is a benefactor.

"He who putteth in some and taketh out as much is only self sufficient. He who putteth in little and taketh out much is a pauper and a thief." We will need to remember that our cooperatives are basically service organizations. Another gentleman has said "Service is the rent we pay for the space we occupy on this earth." Who are we going to serve? Let us endeavor to make that individual member feel that he is the most important person on earth.

I don't know of any other intelligent social living in rural life, except coordination and cooperation between farm groups. Your marketing association is only an expression of that spirit.

Your Public Relations Are Showing:

Wilmer Smith

If we were attempting to characterize the United States with one word, I am sure that one word would be "change." Each of us has seen, from the date of his birth down to the present time, more change than happened from the date of his birth back to year one of this world, so far as human beings are concerned.

Now whether or not we are successful in this world and in our cooperative enterprise is determined to a large extent by how well we are equipped to meet this changing world in which we are living.

We are told that about 75 percent of Sylvania's production came off the drawing board during the last 12 years. I am thoroughly convinced, if this be true, that cooperatives--the board of directors, management, and key personnel--should sit down at least once a year and project where this organization might be planning to go within the next 10 years. The company or organization that fails to do this, I am sure, will be left standing far behind as the world moves on out and leaves it.

The next problem I think that comes to us as people in the cooperative field is being good citizens in our community and getting credit for being good citizens. This, I believe, is the definition of public relations. Sometimes our public relations, or lack of public relations, shows in the financial statement of our organization, in our savings, in our sales, and in our general appearance in the community wherein we live.

So many times I think we are prone to forget that our public relations are determined by our appearance. Actually, our reputation is made up of little things, little activities done well, or done poorly, as the case might be. I think we should remember that our entire life is made up of little things, little activities well or poorly done. The life that is rich in these little things develops a capacity for big things. Doing a common thing uncommonly well can often get us the public relations we need most.

So many times in our own community I am afraid we in the cooperative field feel we can live day by day doing our own little task, tending to our own little assignments, our own little businesses' and when the really big problem comes our way, we can quickly band ourselves together and come up with a workable solution to the big problem. We fail to recognize that practice makes perfection, and that lack of practice at being the good citizen from day to day often keeps us from being able to rise to the height to which we need to rise when the day of trial comes our way.

A little editorial that appears in our paper at home every day, "The Country Parson," may appear in yours. I noticed just the other day in this little statement, something like this, "If you want to know about a man's Christianity or his real moral standing within a community, ask the man who works for him." I'm sure this could be carried into our local cooperatives. I'm sure that first our employees, from the lowliest to the top executive, should be the type of person who is actually a good citizen in the community each day of his life.

Public relations may be two-fold, and they seem to be in this conference: Public relations between a regional cooperative and its member cooperatives, and the public relations in the community with the people where the regional cooperative headquarters are located.

I'd like to talk to you a little bit about the public relations aids we use in the Plains Cooperative Oil Mill or the Farmers Cooperative Compress, or the Plains Cotton Cooperative Association of our area, these being three of the regional cooperatives in Lubbock.

We function differently from any other cooperative I know anything about, in that we have one member from each member association on the central board of directors. Our cooperative oil mill has 82 member gins; we have 82 board members.

All of our business is transacted in the board meetings. We have 12 board meetings a year, a board meeting each second Wednesday in the month. Our people congregate at the mill office at about 11 o'clock on the morning of our meeting and we visit in the lobby of our office until noon. A catered meal is served, usually at about 12:10 to 12:15. By 12:45, we have finished our meal, have gotten most of the fish stories out of our system, and can settle down to the business of our organization.

All of our business is carried on in this big board meeting which follows. Ordinarily, we can be finished in an hour to an hour and a half. Each month we give those in attendance a financial statement of the mill; and over the years they have learned to rely upon this statement. We find that when our auditor checks our work at the end of the year, these financial statements have reflected the true picture of the mill consistently through the year.

This, I believe, is quite important, because all of us know where we are going and what direction we are following in the course of the year. In fact, our board meeting is a membership meeting. Our board is paid a flat \$10 per diem for travel expense, so there is actually not enough income to make it a lucrative assignment for anyone to serve on our board of directors.

Sometimes I think we use this means of getting information to our local gins more than we should, yet, we have found that when a problem concerns our gin, or our oil mill, or politics that involve the cotton industry, we have an organization we can quickly get together. Experience has

taught them that our management understands the problem and will work efficiently in the direction they would direct us toward solving that problem.

We send out no seed buyers or public relations personnel from the home office. Each board member at the regional level is a committee of one to go back home and sell the merits of our mill to our local organization. Now this works just real fine for membership relations. I am not so sure, though, that it is best and that it works best to earn us the public acceptance we need in the community where we live. Being a good citizen is not enough. One must be given credit for being a good citizen; and that means the use of gimmicks and advertising media to get the story across to our people that we are not tax dodgers, socialists, or what-have-you, as some enemies of cooperatives might be prone to call us. .

At the managers' school recently held in Lubbock, managers and board members were each given a list of 10 items from which to choose what they thought were best as aids for public relations. When the votes of board members and managers, voting separately, were tabulated, the results showed unanimous agreement in the number one subject, "Letting the public know how much the cooperative contributes to the community's prosperity, the amount paid for payrolls, taxes, supplies, insurance, how much refunds and dividends put buying power in the hands of farm families."

Yet, when we mentioned some devices for getting that information to the public, and by public I mean the people who live in our community who are not directly affected by our cooperative, the same group of people listed in number seven and eight and nine position, the following items: 7, without boasting, letting the public know that the cooperative is as successful as any other business in the community; 8, getting favorable publicity in local newspapers; and 9, using paid newspaper, radio, and television advertising.

Yet these very items that were listed last, No. 8 and No. 9, are the media on which most businesses spend tremendous sums of money attempting to sell their story to the American public. Examples are such national television programs as the Ford Show, the Chevvy Show, and other programs that we could name. Our own cooperative people rank that sort of advertisement and that sort of publicity-gaining equipment extremely low in this test. The surprising thing to me about this was that it came from an area where we think we are doing a pretty good job. So many times we are prone to be satisfied with the job we are doing without attempting to look forward and see where we are going.

Since I'm not a publicity director, and since I have no formal training in public relations, it seems to me that instead of a humorous and entertaining after-dinner speech on the subject, "Your Public Relations are Showing," we should spend perhaps an entire conference on planning public relations for the future operations of our cooperatives. I am convinced, when I look at the effort being spent by other people on public relations, that it is high time we get busy with our public relations story.

So far as our attitudes are concerned, I think we all fall into three types of people today. The first is the person who says, "Here I am, so what?" He has a belligerent attitude with a chip on his shoulder most of the time. He didn't ask to be born into the world, so the world can just put up with what he does, or else..

The second type I think is the person who says, "Here I sit, so there." The world has just gone off and left him. He is afraid to move out into it and become the responsible person he was meant to be. The old rut is just too comfortable.

The third type of person we find in the world today is the one who says, "Here I stand, ready." He is ready to learn, ready to meet the challenges of a fast-changing world, and ready to help promote a safe and happy world in which to live. There is a continual process of growth in his life. Just remember that a growing person never says, "I can't;" he says, "I'll try."

I'm convinced that, if we are to keep our public relations showing to the best advantage, we all in the cooperative field should do our very best to move out of the first and second groups into the third group.



Scene Between the Acts

MONEY TALKS--

Left to right: W. Gifford Hoag, Farm Credit Administration, Washington, D.C.; Jack Langston, Beaumont Production Credit Association, Texas; R.L. Barrett, Crockett Production Credit Association, Texas.

OMAHA BOWS TO WICHITA (At the registration desk)

Left to right: Ella Baker, Farm Credit Banks of Wichita; Merle Betts, and Herman W. Frerichs, Jr., Farm Credit Banks of Omaha.



NOW THE WAY I HEARD IT--

Left to right: Walter Jacoby, Director of Youth Education, American Institute of Cooperation and Glenn C. Peterson, Assistant Trainer, Bendix Aviation Corporation.



SESSION III

Friday May 5, 1961

Chairman: Alton Scofield

ACHIEVING MEMBER PARTICIPATION IN MEETINGS

Achieving Member Participation in Meetings

Alton Scofield

In discussing member participation in meetings, it is important to distinguish between member participation in a public meeting as a customer, and member participation as a stock holder-owner of his own business. Achieving member participation in its simplest form means giving members the opportunity to participate. This is not as easy as it sounds. To some, member participation means merely attendance. The ideal, of course, is both attendance and active participation in the discussions which take place during a meeting.

Member participation in meetings must be preceded by member participation in the cooperative.

Members will participate in meetings when bona fide opportunities for participation are provided. This means such things as calling on members to make a report, or to carry out some other assignment.

Member participation in a meeting can be achieved by giving assurance that the meeting is needed and that there are real problems to solve.

Members will participate in activities in which they are a conscious part, and in which the business carried on is important. For example, members like to know that a meeting has been called to make a decision, or to provide information that will affect the member. Members like to know that they have a vested interest in the purpose and outcome of the meeting.

Members should not be expected to participate in a meeting where the real issue or purpose of calling it has been concealed.

Giving the Member a Say

Harold A. Schnittger

I am happy to be here to take a small part in the third Midwest Member Relations Conference. It gives me particular pleasure to be a representative from Eagle Grove, Iowa, which the cooperative people like to refer to as the Cooperative Capital of America. Let me do a little bragging for Eagle Grove, Iowa. We have four different cooperatives in our town with a population of 4400. We have three regional cooperatives and one local farmers cooperative. They are Boone Valley Cooperative Processing Association, Propane Gas Cooperative, Consumers Cooperative Association, and the Farmers Cooperative Company.

As manager of the local cooperative, a position I assumed about two years ago, I was greatly taken by surprise with the lack of understanding members had about their cooperative and the other cooperatives in town. I searched my mind to find a way to get the members to take a more active part in their cooperative and came up with a plan.

I went to my board of directors and explained the idea of inviting about 25 members in each week for an informal discussion. The subject to be discussed would be left up to the members. I would also have an agenda to follow if we could not get a subject started from any of the members present. I asked my directors to help me with this program, and got 100 percent cooperation. Each week I asked two of my directors to be present, along with myself, to be the narrators of the meeting. We held the meeting in a room in one of the cafes in town and closed the meeting with coffee and lunch. We held these meetings every Monday afternoon during the months of January and February. Out of the 25 members invited we had an average attendance of 44.6 percent or 8 to 12 members per meeting. I would handpick the list of 25 each week from the whole trade area and write them all a letter inviting them into the meeting. I would pick some very good cooperative members, some average members, some poor members and one or two nonmembers each time, hoping to get a mixed feeling about cooperatives.

I would open the meeting with self-introduction of each member -- and telling where he lives. Then I would tell them of our relationship to the other cooperatives in town and to our regional cooperatives which the local cooperative does business with.

I would explain to them that they, the members, along with our cooperative's members, were the owners of the regionals, that the regionals had no control over the local cooperative. This was one thing which was greatly misunderstood in our cooperative.

The members who attended the meeting brought up many subjects for discussion, such as credit, capital stock, permanent stock or capital, markup on commodities sold by the cooperative. We asked the members what the

directors and the employees could do to make their cooperative a better place for them to do their business.

One of the suggestions was to provide top service along with commodities sold and handled. Another was to keep all employees informed of new commodities and ideas. Another was to create a feeling among the members that would make them want to do business at the cooperative. One of the better suggestions was to do more for the young rural people in our trade area. Some of the older members who had really worked hard to organize the cooperative and knew what it means to have a cooperative in the town felt that younger people just took the cooperative for granted -- as just another place to do business with.

So out of that suggestion we are making plans to do more for the young people of the community. We are sending two FFA boys to cooperative youth camps this summer. We are also making plans to take the FFA chapter on a bus tour to the regional cooperative. We have had two bus tours to our regional cooperative, CCA, in the past two years for all members of our local cooperatives. We have also arranged for tours of our local cooperatives. We feel that these tours have done a lot toward a better understanding of what a cooperative is. All of the members who have taken part in any one of these tours have commented at length to me and other members on what they have seen and heard.

I feel any time you can get your membership to talk about their cooperative, good points and bad ones, it is a good thing for you. I know we have gained the support of many part-time members on our tour activity.

Another problem was that my directors and I felt we were not getting enough discussion at our annual meeting. At our annual meeting we would go through the year's business report and the other yearly business, and that is all our meeting would be. We would get no discussion from the floor about the cooperative. So instead of holding our weekly meeting we would hold one large meeting for discussing from the floor only.

We mailed out cards to all of our male members only, inviting them to an oyster stew and a Member Information Meeting. We got a very good response to this from our membership. I opened the meeting with the usual welcome and gave a short talk on the unseen dividends from the cooperative and used a fact sheet about our own cooperative. Then we turned the meeting open for discussion from the floor. We had very good member participation from the floor. Our president of the board and I were the narrators, and we were kept very busy answering questions for 90 minutes. After the meeting was over the directors and I were busy answering more questions for some time.

My board and I felt this type of members' meeting was the best we had ever had. We are planning to hold two of these meetings yearly from now on. This was one meeting that gave the board and myself a complete feeling of satisfaction.

I am a firm believer that once we get our members to understand their cooperative and the cooperative way of doing business our problems will be a lot less than we have now.

We, the employees of the cooperatives, must never lose sight of what a member is and what he means to a cooperative. Following is what we, the employees of The Farmers Cooperative Co. of Eagle Grove, use to remind us what a member is:

A member is the most important person ever in this cooperative - in person or by mail.

A member is not dependent on us - we are dependent on him.

A member is not an interruption of our work - he is the purpose of it. We are not doing him a favor by serving him - he is doing us a favor by giving us the opportunity to do so.

A member is not a cold outsider to our business - he is part of it.

A member is not a cold statistic - he is a flesh-and-blood human being with feelings and emotions like our own, and with biases and prejudices.

A member is not someone to match wits with. Nobody ever won an argument with a member.

A member is a person who brings us his wants. It is our job to handle them profitably to him and to ourselves.

Making Our Reports Interesting and Meaningful

W. Clark Ellington

Possibly in presenting a discussion on the subject assigned me, I should point out that I am not an expert on the subject. I have had some experience in the preparation of annual reports, and because of this assignment, I have done some research. On occasion, when digging for reference material, I have been accused of working like a professor. Now there is nothing wrong with that -- but some students claim a professor is like a professional diver, he can dig in deeper, stay down longer, and come up dryer than anyone else. Let's hope you don't have that experience.

Actually, we in the Farm Credit Banks use the "Do It Yourself" method of putting our annual reports together. What I mean by that, is, we do not call in an expert to do the job for us. Those of us responsible for putting a report together sit down, discuss and come to an agreement on the kind of report we want, and then we go to work.

In order to pin down responsibility for the report and be sure that all parts are put together and get to the printer on time, someone must edit and fit the written report, charts, and pictures to the layout. This is a part of our work in the Information Department. The knowledge and skill in doing any job, including putting together an annual report, is for the most part the result of experience. I am frank to admit we get ideas from the reports which cross our desk. If they attract our attention and we are impressed by them, they must be good, and it is ethical to be on the lookout for new and fresh ideas.

The subject assigned me is "Making our Annual Reports Meaningful and Interesting." We might also add to that, "Making our Annual Reports Attractive." Why should an annual report be attractive? The soundest reason I can think of is that it must get the attention of the person for whom it was intended, otherwise it may fall by the wayside unnoticed.

When we spend time and money in the preparation of an annual report, we do so not only to fulfill our responsibility to the stockholders, which is necessary, but also to achieve the objective of informing our employees, as well as the public, of our organization's progress, its value to the community or the area it serves, and to express our business philosophy and plans for the future. The overall objective is of course to sell our organization and its services. To get this story across, the annual report must be appealing enough to be read. To appeal to the intended reader, the report must have personality. It must be attractive! And it must be written in a simple and interesting manner.

Why should an annual report be interesting? The report has a story to tell and it must be told in a manner that means something to the reader. It must be a story that will hold the reader's attention, in language that is simple, understandable, and to the point. Nothing will discourage a reader more quickly than a long ramification to tell a simple story, or an intellectual discourse with \$64 dollar words, which the average reader needs a dictionary to interpret.

A rule of communication I am sure you are all familiar with is, "Write to get your message across." Experts have various formulas for doing the job, but I believe we can boil it down to about one simple rule. Say it so the reader can understand. People still read, if it is readable. If the words make sense, they will read what interests them; but it must be easy reading. To be meaningful, the annual report must make sense and be understood by persons on the receiving line -- straight dry reading, no matter how well written or how full of facts, can become monotonous or tiresome because it is lacking in variety. To overcome this problem and inject more meaning in the report, we use color charts or illustrations.

Color if not overdone is a must in my book -- why do our ladies use rouge and lipstick? In the right proportion it makes them attractive and they get your attention -- when they overdo the color job, you look, but you are not so impressed. Color on annual reports to the point of being gaudy is carrying color too far.

Charts provide a picture of operations which simplifies the written explanation. Charts showing the amount of income from various sources are more easily understood than the narrative, because charts make figures come to life. A chart is a form of visual aid. It does not replace the narrative but it emphasizes by illustration what we are trying to explain. Be sure the chart is given a heading and caption to explain its purpose.

For most folks, a bunch of figures can become monotonous and uninteresting unless they are presented in a way that will create interest in them. Illustrations help to increase readership. They relieve the monotony of the page and may lure even those who would ordinarily look only at pictures to read the printed words.

Proper layout and carefully chosen headings will do a great deal to make the report more readable. Headings must describe the contents accurately. Readers are inclined to scan a report, and the wise use of headings will enable them to locate, without difficulty, the section in which they are particularly interested. Headings can be made more useful by color printing. Red and green are effective colors for headings. If you use black ink, use bold type; large headings underlined or framed in a box can also be used, and there are other ways of emphasizing headings.

Pictures, in my opinion, make the stockholder who gets the report feel a little closer to the officers and other personnel who are responsible for the success of the organization in which he has an interest.

Photographs also help to increase readership. It should be remembered, however, that photographs are interesting only when they serve a real purpose. A commonplace picture of some operation found in every organization has no significance -- it would mean very little to the reader. On the other hand, pictures of important new fixed assets help to clarify the text. Pictures of top officers are interesting, but group pictures of a large number of employees attract very little attention. Another factor to consider about pictures is the expense. Pictures are worth what they cost when they serve a purpose, but too many pictures can reduce their value.

Undue economy that makes a report look "pinched" is not good, and undue lavishness is just as bad. Stockholders tend to feel rather strongly about luxurious reports. In some instances economy-minded stockholders have been inclined to look upon the annual report as a glorified balance sheet or a glamorous version of a profit and loss statement. While we have not felt that we ever go overboard with our reports, it was reported to me on one or two occasions that individual stockholders receiving one of our special effort annual reports have said they would rather have an interest reduction. This type of stockholder, of course, is in the minority. Actually, the cost of printing the annual report is insignificant in comparison to other necessary expenditures, and if done away with altogether could not reduce interest rates or increase a patronage refund.

I am afraid that some of the smaller organizations use the annual report merely as a once-a-year means of presenting a balance sheet which, in fact, is simply a profit and loss statement. The annual report is no longer limited to communicating to stockholders alone. True, the annual report is management's account of operations to the owners or stockholders, but it also goes beyond the ownership interest areas. It presents an opportunity to sell your organization and the soundness of your operations to prospective investors or customers.

It is not a document designed to sell a product, but should reflect the character of the organization it represents. In organizations where progressive thinking has taken root, it has been found that the annual report is a valuable tool in promoting public relations. One of the objectives of a sound public relations program through the medium of an annual report is to create a favorable impression of our organization in the minds of the stockholders and the general public. The annual report can well be the most important publication we put out during the year. That is one reason we strive to make our annual reports attractive, interesting, and meaningful.

We could go on and on discussing the details of putting an annual report together. We could consider size, kind of paper, type of cover, and a number of other things which are important, but I believe these are, for the most part, governed by individual taste.

Now to summarize -- Why do we want to make our reports attractive, interesting, and meaningful?

It is simply that we want to make a good impression. We want our stockholders to be enthusiastic about the services our organization provides. We want to build good will for our organization. We want to win new friends and new customers. So we put our time and money in a real nice report!

Is it worth it? The value of the report will depend upon the way you prepare it and the use or distribution you give it. For thoughtful people interested in the goods and services of our organizations, the annual report can be meaningful -- and often exciting -- reading.

Looking Ahead

J. K. Stern

The Kennedy Administration is giving us encouragement today in self-help cooperative activity to solve many of our own problems, and is urging the same approach in solving many problems of the less developed countries we want to help.

This conference, where we have exchanged ideas, and given encouragement to each other, is good for our morale. Many of our membership problems and our public relations problems are the result of a misunderstanding on the part of those with whom we have been in contact, but with whom we have not really had a two-way communication that leads to understanding.

We have heard here that a local cooperative can have the same problem as a regional in the breakdown of understanding between the member-owners and the management. Facing up to the problems in discussion groups and membership meetings where participation is encouraged, and critical questions fully answered, has cleared up many a difficult situation.

The emphasis of several cooperatives here on family participation is encouraging. Working with our youth and their leaders is another essential of a healthy membership program.

Actually, we create most of our problems. When each of you go home and take a new look at the problems in the organization with which you are associated, ask yourself this question -- Are you a part of the problem or are you a part of the answer?

PARTICIPANTS IN THE CONFERENCE PROGRAM

Gale Anderson	- Public Relations Director, Equity Union Grain Company, Lincoln, Nebraska
Eugene Becker	- Field Representative, Gold Spot Dairy, Inc., Enid, Oklahoma
Gordon H. Busboom	- Executive Secretary, Nebraska Cooperative Council, Lincoln, Nebraska
Glen M. Busset	- Associate State 4-H Leader, Kansas State University, Manhattan, Kansas
John P. Comstock	- Vice President, Omaha Bank for Cooperatives, Omaha, Nebraska
W. Clark Ellington	- Information Agent, Farm Credit Banks of Wichita, Wichita, Kansas
Adlowe L. Larson	- Professor, Department of Agricultural Economics, Oklahoma State University, Stillwater, Oklahoma
Glenn C. Peterson	- Assistant Trainer, Bendix Aviation Corporation, Kansas City, Missouri
William G. Plested, Jr.	- President, The Federal Land Bank of Wichita, Wichita, Kansas
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Leslie C. Roenigk	- Director, Member Relations Division, Consumers Cooperative Association, Kansas City, Missouri
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